



# 2019 NON-FINANCIAL STATEMENT

*This document is a translation of an original text in Spanish. In case of any discrepancy between the English and the Spanish version, the Spanish version will prevail.*

This document presents the information required by the Spanish Non-financial and Diversity Information Act (*Ley de Información no Financiera y Diversidad*), of 28 December 2018. It has been assured externally by an independent firm, EY, which also audits the Bankia Group's financial statements.

Therefore, it describes the key features of the Bankia Group's business model and risk management; its sustainability plans; environmental, social and employee matters; its policy on human rights; anti-corruption and bribery matters; and the bank's relationship with society. It describes the main policies pursued, actions taken and their outcome, the principal risks and how they are managed, and non-financial key performance indicators.

The non-financial statement was prepared in accordance with the comprehensive option of the GRI Sustainability Reporting Standards and the Financial Services sector supplement.

The information contained in the non-financial statement covers the Bankia Group's operations (with the same scope as the annual financial statements) in 2019. It contains information that is presented in greater detail in other Bankia Group reports, such as the Annual Corporate Governance Report and the Remuneration Report. The information contained in the "People and talent management" section was prepared considering the Bankia, S.A. scope, except the "2019 Training plan" which covers the Bankia Group scope.

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## 1. FORWARD

### a. Letter from the Chairman

For the banking sector, 2019 was a year marked by negative interest rates, confirming the “new status quo”. This has gone on for four years now and directly affects financial institutions’ revenues.



Bankia has several strengths to deal with this challenging situation, such as the strong commercial momentum of its branch network and its sound balance sheet.

It was also a year of strong commercial activity for us, the best year since Bankia was created. Two factors made all this possible: first, the unwavering trust of our customers, and second, the huge efforts made by all Bankia professionals, which helped us to achieve our highest ever customer satisfaction.

Our strong commercial activity is reflected in our ability to deliver growth in high-value products and profitability. We were the market leader in mutual fund inflows and raised our market shares in business and consumer lending.

I particularly wanted to highlight these two factors because I believe they underscore our focus on contributing value to our customers.

We achieved profit of EUR 541 million in 2019, after stabilising recurring revenue and reducing expenses more than expected. This enabled us to improve our “core” result by 3.8%. However, earnings were undermined by lower trading income and the decision to reduce non-performing assets more than originally planned, which required a stronger provisioning effort.

Despite the challenging landscape, our ability to generate capital organically enabled us to raise our capital ratio to above 13% by the end of the year, well over the minimum regulatory capital requirement. It also allowed us to propose keeping dividend pay-out at EUR 355 million.

The objective of the entire Bankia team is to offer our customers the best financial products and services, and in a sustainable way.

Over the years, we have embraced the main commitments to social and environmental sustainability as our own. Accordingly, Bankia is firmly committed to the 10 principles of the United Nations Global Compact, of which we have been a signatory since 2013. Moreover, with the approval of the 2030 agenda in 2015, our institution has been working on identifying potential threats and new opportunities for improvement in sustainability as they arise to reflect Bankia’s commitment to complying with the Sustainable Development Goals.

I am confident that these commitments are shared by our customers, our shareholders, and everyone at Bankia.

This strategy surely sets us on the right path to serving our customers, generating value for our shareholders, and helping to create a more modern and inclusive society with higher levels of well-being.

Thank you,

A handwritten signature in black ink, consisting of a stylized 'L' followed by a vertical line and a small hook at the end.

## 2. STRATEGY

### a. Backdrop

#### ECONOMIC, FINANCIAL AND REGULATORY LANDSCAPE

The global economy lost steam in 2019. The trade war and Brexit heightened uncertainty, denting the confidence of agents, investments and international trade. This especially affected the manufacturing sector, which is suffering its worst times since the financial crisis. The impact of heightened political and geopolitical risk was partially offset by central bank support at a time of very low inflation.

The cooling of the economy was widespread, affecting all the leading economies and, in some cases, especially intense accompanied by major financial sector tensions. Bankia Research estimates that world growth eased to 2.6% in 2019, with a more pronounced slowdown in the European Union. However, the skies cleared somewhat towards the end of the year: growth began to stabilise, the US and China declared a ceasefire in the trade war, and the EU and the United Kingdom avoided a hard Brexit.

In these complex circumstances, the central banks stepped back from normalising their monetary policies and once again adopted expansionary measures: 13 of the 20 largest central banks cut their interest rates. The ECB cut the deposit facility rate from -0.4% to -0.5%, commenced a new round of asset purchases (with a monthly volume of EUR 20 billion and no set deadline), introduced a scheme to reduce the cost of bank deposits at the central bank (tiering), and undertook new long-term financing transactions.

The relaxing of monetary policy and investor interest in safe-haven assets caused debt yields to fall to new all-time lows in the European Union (the yield on the German 10-year bond fell to below -0.70% and on the Spanish bond by 0.035%), while the overall volume of bonds with negative yields hit a high (EUR 15 trillion, 27% of the total).

#### SPAIN IS STILL GROWING, BUT AT LOWER RATES

Deterioration abroad hit the Spanish economy in 2019, with GDP growth slowing to 2%, half a point lower than in 2018 and its lowest pace of growth since 2014. Nonetheless, Spain once again outperformed the rest of the EMU.

The labour market continued to create jobs, but at a lower rate, in line with the more sluggish economy. Employment rose by nearly 402,000 people to 19.9 million, while the jobless rate ended the year at 13.8% of the active population. These are its best numbers since 2008.

The downturn in activity was rooted in the slowdown by domestic demand, affected by global geopolitical instability and greater uncertainties. Household consumption was also affected by delays in decisions to purchase automobiles ahead of regulatory changes, the absorption of pent-up demand during the crisis or lower job creation. As a result, household spending lagged the growth of disposable income, resulting in a slight increase in the household saving rate. Downward revisions to expectations for investment in capital goods and construction had a greater impact, leading to a sharp slowdown, but this was still the fastest growing component.

Meanwhile, export demand contributed positively to GDP growth for the first time in three years. While exports resisted despite the less propitious international environment, imports slowed sharply, in line with the fall in domestic demand.

Growth in 2019 was compatible with the generation of financing capacity, helping to improve the financial position of households. Household and corporate debt fell to 15-year lows (152.4% of GDP in 3Q19).

Inflation remained subdued, ending the year at 0.8% amid the absence of external inflationary pressures and the upturn in salaries in Spain.

#### WORLD AND SPAIN ECONOMIC OUTLOOKS

World growth is expected to stabilise in 2020 at rates in line with or slightly lower than in 2019, but potentially with a slight improvement in Europe and certain emerging economies that are coming out of difficult situations (e.g. Turkey, Argentina or Brazil). Both the Federal Reserve and the ECB are expected to leave their monetary policies relatively unchanged. Specifically, most likely the ECB will keep the rate on its

deposit facility at -0.50% and continue with its EUR 20 billion monthly asset purchases. Meanwhile, public bond yields should remain contained.

The Spanish economy is expected to continue growing in 2020, albeit at a slower pace, with average GDP growth for the year of around 1.7%. If agents' confidence and expectations begin to stabilise, if not recover slightly, the slowdown will be more moderate.

Only a negative external trigger could lead to recession. External risks to this scenario lie in further weakness in EU export markets; increased protectionism; potential geopolitical tensions that could affect the oil market; and uncertainty over the outcome of Brexit.

Internally, there are still questions over the direction of economic policy and whether the necessary reforms will be undertaken, while still-high public debt levels leave little room for fiscal policy to deal with a potential crisis.

#### CONTINUED DELEVERAGING IN THE LOW INTEREST-RATE ENVIRONMENT

The positive performance of the Spanish economy fed through to the country's banking sector, which continued to step up the flow of new lending, while bolstering balance sheets by raising solvency and liquidity and reducing non-performing assets. On the negative side, low interest rates and strong competition kept profitability under pressure.

Private-sector credit fell for yet another year, albeit at a significantly less than a year later. This decrease primarily involved business loans, which were partially replaced by fixed-income issues. For households, the new Real Estate Credit Act (Ley de Crédito Inmobiliario) to some extent undermined the level of new home purchases in the year's second half.

Trends in lending to households and non-financial corporations were shaped by the significant reduction of prices of new transactions throughout the year.

Balance sheet quality improved as default rates fell and the volume of foreclosed assets shrank. Non-performing loans (NPLs) to the private sector fell further in 2019, to below EUR 60,000 million, while the NPL ratio fell down 5%, with a cumulative decline in the year of 1 p.p. The volume of foreclosed real estate assets decreased to below EUR 40,000 million, more than 50% lower than their 2011 highs.

Deposit-taking rose sharply in the year (5.3%), with positive contributions by both households and companies despite the low interest paid. Demand deposits grew further to the detriment of term deposits and represented 85% of the total volume of deposits. This increase came alongside growth in assets in mutual funds.

Low profitability is one of the Spanish banking sector's main challenges. It remains above the European average without surpassing cost of capital, although the outlook has worsened due to downward revisions to growth forecasts and interest rates remaining low or negative longer than expected. In this context, the sector must endeavour to boost efficiency through control over operating expenses and the use of new digital technologies.

Institutions have strengthened their solvency, raising their indicators of maximum quality to well above requirements. Meanwhile, the results of the Bank of Spain's annual stress tests for the 2019-2021 horizon show an adequate solvency position on aggregate relative to the materialisation of the risks identified in the adverse scenario.

On the regulatory front, the key highlight was the approval in June of the "EU Banking Reform Package" presented by the European Commission towards the end of 2016. It comprises a set of rules to complete the banking union, incorporating into European regulations the latest Basel III standards, which have yet to be transposed, and the international loss absorption capacity requirement, or TLAC ("Total Loss Absorption Capacity"). The bulk of the regulation will become effective at the end of 2020 or middle of 2021. In Spain, the Real Estate Credit Agreement Act (Ley Reguladora de los Contratos de Crédito Inmobiliario), which transposes the EU directive, entered into force.

### b. 2018-2020 Strategic Plan

2019 was the second year of the three-year Strategic Plan presented by Bankia in February 2018. The four main cornerstones underlying the entity's roadmap entail the integration with BMN, efficiency and cost control, growth in revenue through higher value-added product sales, and a faster reduction in NPAs.

The plan's financial targets were calculated based on forecast growth for Spanish GDP of over 2% in three years, a Euribor rate of 0.73% at the end of the period, and a scenario of gradual recovery in lending. Negative interest rates will affect targets such as achieving profit of EUR 1,300 million by the end of the period.

Bankia's efforts over the past two years has enabled it to extract synergies from the merger with BMN earlier than expected and to raise the estimated amount from EUR 190 million to EUR 220 million. The bank also raised its pay-out to 65% from 50% in 2018 and continued to generate capital above the fully loaded CET1 ratio of 12%.

Performance of management targets in 2019:

#### Efficiency and cost control.

	2019	Strategic Plan
Synergies (EUR million)	220	190

#### Customers

	2019		Strategic Plan	
	Retail customers	Business customers	Retail customers	Business customers
Satisfaction	90.3%	93.6%	92%	95%

#### Digitalisation

	2019	Strategic Plan
Digital customers (% of total customers)	53.3%	65%
Digital sales	36.0%	35%

#### Share of performing loans and high-value products/segments

	2019	Strategic Plan
Mortgages	12.5%	12.6%
Business credit	7.8%	7.7%
Consumer credit	6.1%	6.6%
Mutual funds	7.0%	7.2%

#### Mix of stock of performing loans

	2019	Strategic Plan
Home loans	61%	58%
Consumer credit	5%	5%
Business and developer	34%	37%

Balance sheet quality

	2019	Strategic Plan
Reduction of NPAs (EUR million)	8,400	8,900
NPL ratio	5.0%	3.9%
NPL coverage ratio	54.0%	56.0%

BUSINESS OUTLOOK FOR THE BANKIA GROUP

Bankia will continue to work during the last year of its strategic plan on consolidating the business, with the overriding aim of becoming more competitive, boosting profitability and growing to generate capital organically.

The bank will seek to boost revenue through increased sales of high-value products and the roll-out of new lines of business now that the restrictions set out in the Restructuring Plan no longer apply as the plan ended in December 2017. These activities include lending to real estate developers, long-term financing to large corporations through placements on the capital markets both in and outside Spain, and other fee-bearing products (project finance and M&A funding). Forecasts also call for double-digit growth in fees and commissions.

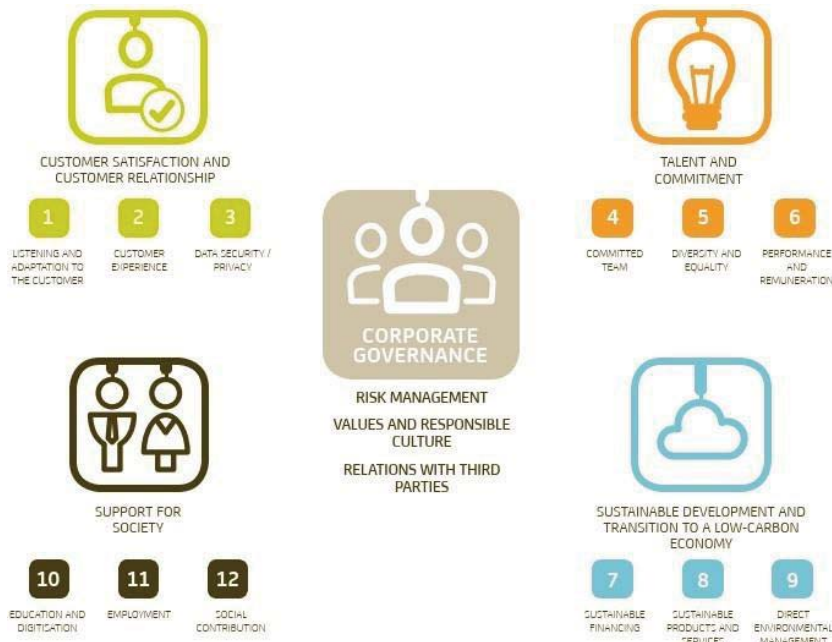
Meanwhile, Bankia will continue reducing problem assets to free up liquidity and funds with which to grant loans and new credit in segments where it intends to increase its lending activity and market shares.

Higher lending volume will be accompanied by further decreases in non-performing loans and foreclosed assets (an estimated EUR 8,900 million in the 2018-2020 period).

c. 2019-2020 Responsible Management Plan (RMP)

Since 2016, Bankia has been implementing specific responsible management plans aligned with the institution’s strategic plans. In 2019, it embarked on its 2019-2020 Responsible Management Plan (RMP) designed to drive the entity’s leadership in sustainability. Key areas include preventing social, environmental and good governance risks, and supporting management with greater control over processes to effectively meet stakeholders’ expectations.

2019-2020 RESPONSIBLE MANAGEMENT PLAN



Source: Bankia. 2019-2020 Responsible Management Plan

The RMP, predicated on sound corporate governance, has four strategic lines of action: Satisfaction and relationship with customers; Sustainable development and transition to a low-carbon economy; Developing talent and employee engagement; and Supporting society. Under these areas, a total of 57 projects or initiatives containing 129 specific goals and involving 17 divisions of Bankia are being carried out.

In 2019, 80.7% of projects have either concluded and achieved the desired target or are on track.



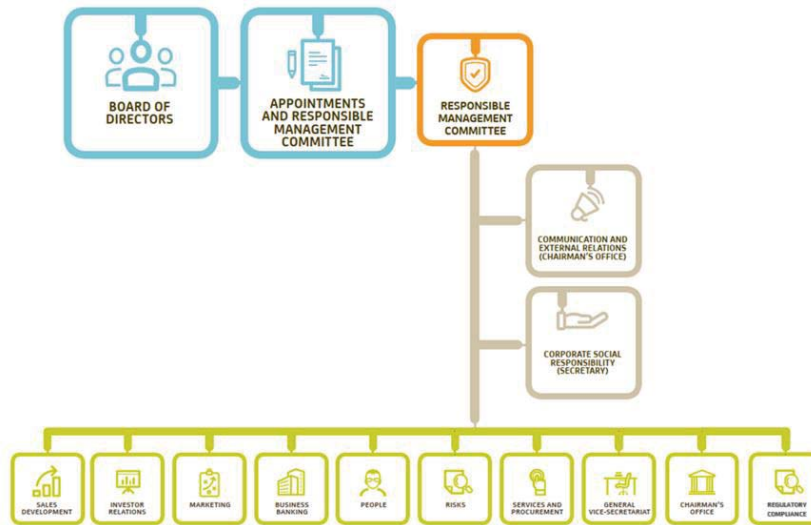
Bankia has a specific dashboard for monitoring the RMP, with quarterly reporting to the Responsible Management Committee and every six months to the Appointments and Responsible Management Committee, composed of four independent directors, so they can take decisions based on the results obtained and draw up actions plans.

#### RESPONSIBLE MANAGEMENT GOVERNANCE STRUCTURE

The Responsible Management Committee was set up in 2015. Its duties include promoting, coordinating and developing all the bank's responsible management initiatives. This committee is made up of executives of the bank's units that have direct contact with stakeholders so it can identify those with the greatest influence on the bank and promote initiatives and projects that are aligned with their interests and needs and included in Bankia's strategy through the Responsible Management Plan.

The Corporate Social Responsibility Directorate runs the secretariat of the committee, analysing trends, making proposals, and coordinating and driving Bankia's responsible management.





Topics analysed, reviewed and approved, where appropriate, by the Responsible Management Committee in 2019 included:

- The Responsible Management Plan (quarterly follow-up)
- Implementation, requirements and reporting of the Non-financial and Diversity Information Act
- Training on climate change and adaptation to TCFD recommendations
- Human rights due diligence
- Strategy and reporting on SDG contribution
- Sustainable financing: signing of the Principles for Responsible Banking
- Sustainable financing framework
- Results of the reputational risk assessment
- Results of the main analysts and sustainability indices
- Proposals for improvements to projects to be undertaken
- Signing of the Collective Commitment to Climate Action
- Agreements reached at the COP25 held in Madrid

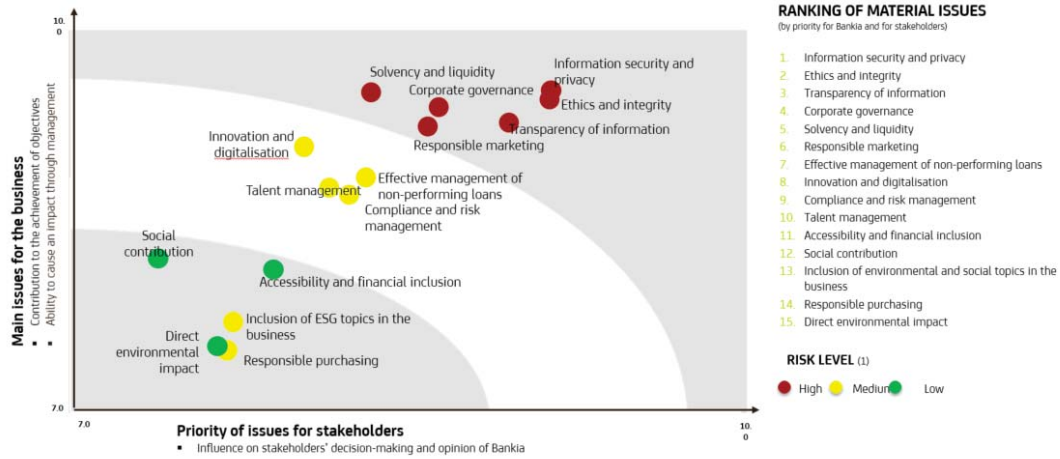
#### MATERIALITY

Listening to stakeholders has long been a priority at Bankia. A new materiality assessment was performed in 2019 to identify the most relevant issues for stakeholders (customers, shareholders, bank professionals, and society) in locations where Bankia has a stronger footprint. An external consulting team, engaged to ensure the confidentiality of the interviews and the accuracy of the findings, carried out more than 2,200 consultations (in-depth interviews, on-line consultations and round table discussions). As a result, the most relevant environmental, social and governance (ESG) topics were prioritised from a dual internal and external perspective.

The stakeholder groups consulted considered that Bankia's general reputation has improved in recent years. Key aspects related to the improvement in reputation include: the management team, noted for its professionalism, depoliticisation and the commitment to high ethical and social standards; the absence of reputational crises; Bankia's public nature, guaranteeing greater oversight compared to other institutions; and the efficiency shown in coping with crises affecting the financial sector.

Relevant topics for stakeholders include: information security and privacy, ethics and integrity, transparency of information and corporate governance. Among these, priorities include responsible marketing, and solvency and liquidity.

2019 MATERIALITY MATRIX



Another feature of the materiality assessments performed is the consideration of the risk variable to identify each topic in accordance with stakeholders’ tolerance, confidence and attitudes if their expectations are not met. This allows the entity to promote actions plans that minimise the potential related risk. The assessment also presented trends in the topics assessed in the previous materiality assessment performed by Bankia in 2017.

The result of the 2019 assessment will enable Bankia to lay the foundations and determine the priority topics and strategic plans of the new Responsible Management Plan to be undertaken starting in 2021, once the current plan is completed.

GLOBAL COMPACT



Bankia is firmly committed to the 10 principles of the UN Global Compact, of which it has been a signatory since 2013.

These universally accepted principles are key values based on declarations by the United Nations in the areas of human rights, labour, environment and anti-corruption.

As part of its involvement, Bankia reports annually to the Global Compact on its progress implementing the related policies and initiatives.

**Principles of the Spanish Network of the Global Compact**

1	Support and respect the protection of human rights	Strategy: - 2019-2020 RMP	Human rights	
2	Not be complicit in human rights abuses	Responsible banking: - Ethics and integrity - Human rights		
3	Uphold the freedom of association and collective bargaining	Responsible banking: - Ethics and integrity - People and talent management - Human rights	Labour	
4	Uphold elimination of all forms of forced and compulsory labour			
5	Uphold the effective abolition of child labour			
6	Uphold the elimination of discrimination			
7	Support a precautionary approach to environmental challenges	Strategy: - 2019-2020 RMP	Environment	
8	Undertake initiatives to promote greater environmental responsibility	Responsible banking: - Sustainable financing		
9	Encourage the development and diffusion of environmentally friendly technologies	Commitment to the environment		
10	Work against corruption in all its forms	Robust and secure: - Internal control and compliance	Responsible banking: - Ethics and integrity	Anti-Corruption

Moreover, to promote the integration of these principles into business operations, the Global Compact encourages and raises awareness among businesses about the importance of promoting actions in support of the Sustainable Development Goals (SDGs).



Source: Global Compact

COMMITTED TO THE SDGs



In 2015, the United Nations member countries adopted the 2030 Agenda for Sustainable Development. The Agenda contains 17 Sustainable Development Goals (SDGs) and 169 targets and is a call for action by all countries, organisations and society at large to end poverty, fight inequality, protect the planet and act on climate change, among others.

In its firm commitment to this United Nations initiative Bankia has undertaken to promote the SDGs. As a financial institution, it focuses its efforts on promoting a transition towards a low-carbon economy and carrying out responsible and sustainable banking. Bankia has instrumented set out efforts and challenges in an SDG contribution strategy.

This strategy has enabled the institution to identify specific plans, programmes and measures that promote the bank’s actions towards achieving the 2030 Agenda targets.

In line with its operations, Bankia gears efforts towards four priority SDGs: Climate action (SDG 13), Decent work and economic growth (SDG 8), Quality education (SDG 4) and Sustainable cities and communities (SDG 11), and one cross-cutting target, Partnerships for the goals (SDG 17).



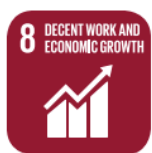
To drive each SDG, Bankia has drawn up strategic lines, with targets and actions laid out in its Responsible Management Plan so it can track progress on implementing the 2030 Agenda.



**Sustainable financing:** Bankia’s responsible management model includes respect for the environment and combating climate change as two key variables that must be considered in the short and long term. Accordingly, it has drawn up a 2017-2020 Eco-Efficiency and Climate Change Plan with specific targets and indicators, undertaking to achieve CO2 emission neutrality by 2020.

Business-wise, the bank markets sustainable mutual funds and invests in clean infrastructures and technologies. In 2019, Bankia promoted EUR 9,000 million of green financing and created the Business and Sustainable Finance Department to drive and promote the marketing of green products and services, as well as to pave the way for the creation of a Sustainable Financing Framework that will be ready around the middle of 2020.

Firmly committed to decarbonising the economy, in September 2019 Bankia signed the UN's Principles for Responsible Banking and Collective Commitment to Climate Action.



**Inclusive economic growth:** As a financial institution, Bankia provides decent employment, guaranteeing decent conditions for both its professionals and its value chain, and encouraging entrepreneurship and career development. Some 268 professionals were promoted internally in 2019, of which 50.4% were women. The entity was recognised as a “Socially Responsible Company with its Workforce” by the Diversidad Foundation and the Alares Foundation.

Bankia also actively promotes financing for SMEs and self-employed professionals, with SME lending volume in 2019 of EUR 3,456 million. Moreover, through a number of social programmes, the bank offers

employment and labour insertion projects that particularly target vulnerable groups (women, unemployed, people with different abilities and migrants), with more than 43,600 direct beneficiaries.



**Financial and quality education:** Bankia has a firm commitment to the training and financial literacy of Spanish society, an inclusive and quality education that promotes the knowledge and skills necessary for better personal and professional management, as well as improving access to employment and entrepreneurship. It earmarked over EUR 4 million for education projects and projects to improve employability in 2019.

Bankia is the only financial institution with its own dual vocational training programme, enabling it to add 28.6% of students trained in the first three programmes to its staff and making the programme a source of hiring internal talent.

In 2016, it created the Bankia Foundation for Dual Training, designed to be a nexus between the academic and business worlds (739 participating companies) and drive the employability of younger people. This foundation has stepped up its activity since it began, promoting nearly 100 projects and training more than 4,000 students in 2019.

Through Bankademia, Bankia offers free on-line courses to customers and non-customers on basic finance, housing, the family economy and SMEs. The aim is to promote financial literacy and help people to understand the products and services and to take financial decisions.

The bank also develops specific programmes in partnership with NGOs to promote employment in sectors in need and boost employability of the most vulnerable groups.



**Sustainable cities and communities:** Bankia promotes investment, financing and innovation in infrastructures and services that improve quality of life and sustainability of cities. The bank offers financing to individuals and companies so they have access to sustainable loans and mortgages and to the financial services needed for their personal and professional development, such as the agreement with the EIB to launch a pioneering line in Europe of EUR 300 million for the granting of green mortgages or a specific financing facility for developers to build BREIM energy efficiency certified homes. Bankia also promotes, through 374 branches with agricultural specialists, solutions geared toward agriculture and rural development, funding innovation and energy efficient projects in this sector.

In this area, technology and digital transformation play key roles in finding sustainable solutions that can be applied to cities and rural areas to stop depopulation. In this vein, through social action the entity has invested EUR 6.39 million in local and rural develop programmes of foundations and NGOs with more than 251,000 direct beneficiaries.



**Partnerships for the goals:** For Bankia, establishing partnerships is key for sharing knowledge and promoting projects that contribute to the development of the SDGs. Through industry groups and public-private partnerships, Bankia defends its stakeholders' interests in economic, social, environmental and corporate governance matters. These includes alliances with different agents of civil society in Spain and internationally (Global Compact, UN, Spainsif, Forética, Fundación Alares, Fundación Ecodes, Fundación Seres, Fundación Corporate Excellence, Fundación LIMME, COTEC, CECA and CEOE), and collaboration with public financial institutions (e.g. ICO, EIB and Mutual Guarantee Societies, or SGR) to finance SMEs and businesses. An example was the agreement signed last year with the EIB to provide EUR 800 million of finance to SMEs and mid-cap companies, and companies in the agriculture, farming, fishing and livestock sectors.

This priority contribution also enables us to impact other secondary SDGs, such as: Affordable and clean energy (SDG 7); Industry, innovation and infrastructure (SDG 9); Gender equality (SDG 5) and Reduced inequalities (SDG 10) and tertiary SDGs for the entity, such as: Responsible consumption and production (SDG 12); Life below water (SDG 14); No poverty (SDG 1) and Peace, justice and strong institutions (SDG 16).



### 3. ROBUST AND SECURE

#### a. Solvency and liquidity

Bankia obtained net profit in 2019 of EUR 541 million, down 23% from 2018 due to lower trading income on the rotation of fixed-income portfolios and higher provisions for the cost of non-performing asset sales.

Stable recurring revenue and a higher-than-expected reduction in costs drove a 3.5% increase in core banking profit to EUR 1,287 million.

Last year was Bankia's best ever commercially, enabling it to stabilise net interest income, which totalled EUR 2,023 million (-1.3%). Fee and commission income to EUR 1,167 million thanks to year-on-year growth in revenue from payment services (+9.9%) and assets under management (+4.7%).

Gross income amounted to EUR 3,245 million (-3.6%), while operating expenses fell 2.9% to EUR 1,817 million thanks to the approximately EUR 220 million of synergies extracted from the integration of BMN, above the EUR 155 million originally expected.

The customer margin ended the year at 1.64%, up from 1.58% the year before, and the efficiency ratio at 56%.

Provisions and other gains and losses totalled EUR 673 million. The increase from 2018 was due to provisions set aside to cover the costs of selling portfolios of non-performing loans and foreclosed assets, mostly in the year's second half.

#### LEADER IN SOLVENCY

Bankia raised its solvency in 2019 and was once again the leader of Spain's largest banks, ending the year with a fully-loaded CET1 ratio (including unrealised gains at fair value) of 13.02%, an improvement of 63 basis points from 2018. The cumulative capital surplus over 12% was EUR 795 million. The Phase-in CET 1 ratio was 14.32% and the Total Capital ratio was 18.09% at 31 December 2019.

The bank's solid capital position enables it to maintain the dividend, paying out a total of EUR 355 million to shareholders; i.e. a dividend yield of 6.1% taking the 2019 closing share price.

Shareholders will receive EUR 11.576 cents per share, the same as previously and leaving pay-out of profits to shareholders at 65%. Accordingly, it continues to repay the aid received, of EUR 3,303 million. Of this total, the Fund for Orderly Bank Restructuring (FROB), which has a 61.8% ownership interest in Bankia through BFA, will receive EUR 220 million.

## BUSINESS AND BALANCE SHEET QUALITY

Since the start of the 2018-2020 Strategic Plan, the bank has grown its customer base by 243,000 and the number of customers who deposit income directly by 190,000. The total number of digital customers has also risen, by nearly 13 percentage points over the past two years, and represented 53.3% of all customers at the end of 2019. Digital sales account for 36% of the total at Bankia.

The bank raised customer satisfaction to an all-time high of 90.3 points in 2019, up from 86.9 the year before. In service quality, Bankia cemented its leadership among Spain's large banks, with a score of 8.28 compared to the sector average of 7.36.

Bankia led the market in net inflows into mutual funds in 2019, with EUR 1,543 million, a 74% increase from 2018. Assets managed and marketed grew by 16.8% to EUR 22,300 million, giving Bankia a 7.05% market share. The bank has signed up 100,000 new unit holders and now has nearly a million. Meanwhile, assets managed and marketed by the Group in pension fund increased by 5.9%.

Retail Banking saw considerable growth in new production in life and non-life risk of 23.6% and 28.7%, respectively, from 2018.

Bankia also fared well in payment services. Revenue growth at shops from debit and credit cards accelerated to 14.7%. Market share in revenue increased to 12.4% through September 2019, and in credit cards to 8.6%.

## STRONGER BALANCE SHEET

Bankia has reduced the stock of non-performing assets (NPAs) gross over the past two years by EUR 8,503 million, lowering the NPA ratio to 6.4%, which is closing in on the 6% target in the Strategic Plan for end-2020. The NPA ratio ended the year at 3.3%, close to the 3% target for 2020.

In just the last year, the volume of unproductive assets (non-performing loans and foreclosed assets) fell by EUR 2,529 million, to a gross EUR 8,350 million at 31 December 2019, a decrease of 23.2% from the year earlier.

Non-performing loans (NPLs) fell by nearly EUR 2,000 million from January to December, to EUR 6,465 million (-23.2%), leaving an NPL ratio at year-end of 5%, 1.5% pp lower than at the end of 2018.

Total assets on consolidated Bankia's Group balance sheet increased by 1.6% year-on-year to EUR 208,468 million.

## GROWTH IN PERFORMING LOANS

The Group's strong commercial performance led to growth in performing credit (non-doubtful home, consumer, business and developer loans) which, driven by the good performance of new lending, rose by 0.2% or EUR 300 million in 2019 to EUR 106,700 million.

The stock of consumer loans rose by 12.5% over the course of the year, while loans to companies increased by 9%, taking Bankia's market shares to 6.08% (+50 bp from December 2018) and 7.83% (+41 bp), respectively, at the end of November.

In new lending, mortgages remained stable in 2019 at around EUR 2,900 million, with a third going to new customers. Fixed-rate mortgages accounted for 48% of new mortgages in the year, with an average loan to value (LTV) of 64%.

New loans to companies remained over EUR 14,000 million, while consumer loans increased to EUR 2,647 million amid a prudent approval policy. Over the past year, Bankia's share of new loans to companies jumped from 7.88% to 9.42%.

## b. Internal control and compliance

Bankia has internal control and compliance risk management systems that ensure compliances with applicable regulations and good banking practices. Compliance risk management is a strategic pillar to which the entire organisation is committed. In the wake of the myriad regulatory developments, highlights in recent years include projects to implement the new regulations approved in payment methods (PSD2) and markets for financial instruments (MiFID II), not to mention data protection and privacy (General Data Protection Regulation) and the new regulation on real estate credit agreements (LCCI).

### CRIMINAL RISK PREVENTION

Bankia has a criminal risk prevention model that identifies activities that must be prevent, and protocols and procedures to avoid conduct that could give rise to criminal liability and ensure compliance with its Code of Ethics and Conduct.

The model is based on the identification of risks, as well as the implementation and regular execution of general and specific controls through software applications that can detect potential circumstances that entail heightened risk. The results of executing these controls are reported annually to the Audit and Compliance Committee and the Board of Directors.

Bankia has a model of system management and control of regulatory compliance risks designed to identify, assess, manage and monitor all risks of complying with prevailing regulations in investment banking services, anti-money laundering and personal data protection. This management and control model is based on both the governance structure and on processes and technology to help improve business processes and performance measurements, as well as to provide the institution with information so it can consider these risks in its decision-making.

No. of employees trained in criminal risk prevention	273
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### RESPONSIBILITY AND REGULATORY COMPLIANCE PERFORMANCE

The Corporate Regulatory Compliance Directorate is charged with management, performance and control of these matters. It has two of its own executive committees, which meet monthly to address priority issues and those requiring closer supervision.

There is the Bankia Internal Control Body (ICB), which is the Anti-Money Laundering, Terrorist Financing and Sanctions Committee. In addition to ensuring compliance with regulations, its purpose is to enhance the bank's governance by involving the business areas, raising their awareness, and enabling the institution to take quicker decisions, shortening the time for reporting to Spain's anti-money laundering supervisory authority, Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e Infracciones Monetarias (SEPBLAC).

This committee reports regularly to the Audit and Compliance Committee and the Board of Directors. It comprises members from the entity's main areas, especially its business areas. They receive appropriate training and the necessary support to perform their duties on the committee.

There is also the Regulatory Compliance Committee, which assesses and manages risks of non-compliance with regulations governing the bank's operations. Its scope of action includes the following duties:

- Identifying, assessing and managing compliance risks related to operations, executing the controls in place
- Proposing the approval of codes of conduct and verifying the level of compliance
- Drafting internal policies, procedures and rules for its scope of action, overseeing their effective compliance
- Monitoring regulations of competitors and their implementation
- Monitoring compliance with supervisors' requirements



## ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING

In Spain, the 5th Anti-Money Laundering Directive on preventing the use of the financial system for money laundering or terrorist financing approved by the European Union is expected to be transposed into Spanish law in 2020.

This will amend the current Law 10/2010, and its implementing regulation (RD 304/2014), which has yet to include the developments in the 4th Directive transposed on 31 August 2018 through RD-Law 11/2018.

This regulation will entail changes regarding:

- Inclusion on the list of obliged entities under the law of providers of exchange services between virtual currencies and fiat currencies and custodian wallet providers, implying their forced registration and reporting and the absence of anonymity.
- Inclusion of intermediaries in the trade of art, directly or including when this is carried out by art galleries and auction houses, or by free ports, where the value of the transaction or a series of linked transactions amounts to EUR 10,000 or more.
- Limitations on the use of prepaid instruments, which are widely used in financing terrorist attacks, without previously applying due diligence measures.
- Prohibition from keeping anonymous accounts, anonymous passbooks or anonymous safe-deposit boxes and without due diligence.
- List of enhanced due diligence measures and mitigation measures in transactions with higher risk countries.
- Single European Community list of politically exposed persons (PEPs).
- Modification of the registry of beneficial owners and beneficial owners of trusts to make it more effective.
- Access to owners of real estate by competent authorities or Financial Intelligence Units.
- Effective judicial remedy for reporters of suspicious transactions.

In April 2019, the European Parliament approved new regulations in Europe to strengthen systems of financial supervision granting greater powers to the European Banking Authority (EBA) and better address money-laundering and terrorist financing.

The EBA will gather information from the national authorities, perform risks assessments and facilitate cooperation with non-EU countries. As a last resort, if national competent authorities do not act when they detect links with money-laundering or terrorist financing, the EBA will be able to address decisions directly to the individual financial sector operators.

No. of employees trained on anti-money laundering and counter terrorist financing	999
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## REGULATORY DEVELOPMENTS IN INVESTMENT SERVICES

The objective of MiFID II is to enhance quality in the distribution of the various investment services, offer greater investor protection and obtain a competitive advantage from its development.

On this front, Bankia continued to work on bolstering its investment product distribution model with a view to offering customers greater protection and quality service. To do so, advances were made on key lines of action:

- Continuous training of employees. A high percentage of Bankia staff are trained in MiFID, with nearly 100% in certain more specialised segments, such as Private Banking and Business Banking. Certifications of employees and hours required to obtain certification are actively monitored to ensure that specialist managers have in-depth knowledge to offer quality service to customers.

No. of employees trained in MiFID	2,033
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- Product governance. Senior levels in the organisation were involved launching new products and monitoring their marketing in 2019. Automatic controls were implemented in the bank's various channels and investment services to ensure that the products and services are only distributed to customers with the right profile.
- Greater transparency in reporting. To reinforce accurate, truthful and transparent information to customers, operating processes were enhanced for individualised notification of specific costs incurred by customers when taking out an investment product. The various pre-contractual documents were also improved, to make them simpler and easier to understand.
- Accessible portfolio management. Highlights in 2019 include the reinforcement of the 'Bankia Gestión Experta' service in terms of operations and documentation. This service, which has been widely accepted by customers, makes a service that originally targeted high net-worth individual available to all customers.

#### PREVENTION OF MARKET ABUSE

The entry into force of the European market abuse regulation in 2016 and its implementing regulations brought changes to obligations and requirements. Bankia has adapted to the regulation aimed at strengthening market integrity and complying with the implementing and oversight mechanisms at European level. Adjustments were made to tools and employee training to promote the compliance culture around the detection and prevention of activities that are suspicious of market abuse and to adapt to amendments to Spain's criminal code.

#### REGULATION OF REAL ESTATE CREDIT AGREEMENTS (LRCCI)

The regulation of real estate credit agreements plays an important role in economic stability and is a tool for social cohesion. It guarantees a secure, flexible and effective legal regime that protects this type of transaction, is a requirement stemming from the obligations imposed by European Union law and is clearly beneficial for the economy. The legal security afforded by the new regulation to protect these transactions fosters trust and other appropriate guarantees to drive access to credit, which is an economic growth driver.

The regulation provides a specific protection regime for consumers who are borrowers, guarantors or holders of security loans or credits secured by residential immovable property or in acquisitions of residential property. The ultimate objective is to strengthen guarantees for borrowers and prevent legal foreclosures in this type of loan resulting in the loss of the home.

Although the new regulation became effective around the middle of 2019, Bankia's Regulatory Compliance Directorate participated in the cross-cutting project to implement it throughout the organisation in conjunction with the rest of the groups affected. The work carried out has enabled Bankia to develop and implement the required actions to maintain its real estate lending offer and protect customers' rights, ensuring compliance with the regulation.

#### INTERNAL AUDIT AND CONTROL

The Corporate Internal Audit Directorate is in charge of supervising and assessing the effectiveness of the bank's corporate governance, risk management, internal control and information systems, and verifying compliance with internal and external regulations.

It reports functionally to the Audit and Compliance Committee and hierarchically to the Chief Executive Officer.

The Corporate Internal Audit Directorate reports quarterly to the Board Audit and Compliance Committee and Management Committee through the Audit Follow-up Report on implementation and results of the Annual Audit Plan, and the audit recommendations and their degree of implementation.

To perform its duties, it operates independently both hierarchically and functionally from the rest of Bankia's directorates and its scope of action covers all Bankia operations. Its work includes the commercial network audit, the markets and structural risks audit, the central services audit, the processes audit, and the systems

audit. To do so, it has unlimited access to the information required to perform its duties. In performing its work, it may contact and gather information from any senior manager or employee of the organisation.

Internal Audit's functions can be summarised in seven processes that illustrate the scope of its work: preparation of the Audit Plan; execution of business centre audits; execution of process, centre and system audits; follow-up of audit recommendations; development and maintenance of audit function support applications; internal audit communication and reporting; and collaboration with and coordination of external audits.

Bankia's digital transformation has enabled the Corporate Internal Audit Directorate to streamline its operations, undertaking new initiatives to better gather information for review, increase the volume of verifications, and have more efficient information systems.

No. of audits of processes, products and centres	294
No. of branch audits per audit plan	1,002
No. of fraud prevention alerts	980

### c. Tax commitment

Promoting responsible tax management is crucial for Bankia in carrying out its financial operations. To achieve this, it encourages the development of tools to prevent and combat fraud, and transparency programmes. These initiatives are instrumented in specific tax risk management and control measures.

Bankia's Board of Directors sets tax strategy, although the Audit and Compliance Committee supervises the tax risk management system. The entity also has internal control systems.

The Board of Directors approves operations in tax havens (although the bank does not operate in tax havens for tax avoidance purposes) and the creation of tax structures that are not used to help avoid taxes or fail to comply with regulations.

Bankia's activity is governed by three tax principles: transparency, compliance with obligations, and risk exposure.

Accordingly, Bankia adheres to a transparent policy on tax management and the payment of its taxes, applying the tax regulations applicable in Spain, where it does all its business, in addition to following the guidelines of international institutions, such as the Organisation for Economic Cooperation and Development (OECD).

Regarding the principle of risk exposure, Bankia analyses transactions involving specific tax risk according to, *inter alia*, their impact on corporate reputation, shareholders and customers, and its relationship with tax authorities.

Bankia is a participant in the Large Businesses Forum, aimed at promoting a more cooperative relationship between companies and the Spanish tax authorities (Agencia Española de la Administración Tributaria, or "AEAT") so that, through mutual trust, general problems that may arise in putting the tax system into effect can be shared. The bank is also a signatory of AEAT's Code of Best Tax Practices (CBTP), which contains recommendations that both parties agree to follow voluntarily.

This collaboration enables Bankia to do business with increased legal certainty, reducing disputes with the Tax Agency and enhancing the bank's reputation, all of which feeds though positively to its financial performance.

In 2018, Bankia, as a CBTP member company, drew up its second Annual Tax Transparency Report, with information for financial year 2017. It submitted this report to the AEAT in 2019. Last year, it prepared the report with information on 2018, which it will send in the early months of 2020.

This report contains information on certain aspects of Bankia's economic activity and funding structure, an explanation of the most significant corporate transactions, details of Bankia's tax strategy approved by the governing bodies and a list of transactions referred to the Board of Directors. It also establishes the extent

to which the bank's tax policy is consistent with the principles of the OECD's Base Erosion Profit Sharing (BEPS) package.

#### Country-by-country earnings

Bankia has its organisational structure and conducts all of its businesses in Spain. Therefore, the Group obtains all of its profits here.

	2019	2018
Bankia Group profit (EUR million)	542.3	703.5

#### Income tax paid

Bankia paid EUR 248.84 million of income tax in 2019 (including instalments for 2019 and the financial contribution of 2018).

The Bankia Group reported a total amount of taxes paid in the Total Tax Contribution document published in 2019 of EUR 398,184,665.25 (including the amount of income tax refunded).

	2019	2018
Income tax payments (EUR million)	248.84	226.05

The figures reported for taxes correspond to the income obtained by the Bankia Group in 2018, since the figures for 2019 will not be available until sometime in the first few months of 2020, after the accounting closes of all the Group companies. In 2020, for the first time, figures will include the stamp duty paid by the entity in 2019, which amounted to EUR 38 million.

## **d. Information security and privacy**

### DATA PROTECTION

Bankia considers customer information and security to be crucial asset; protecting this information is one of its top priorities amid continuous technological advances.

Bankia strives to ensure that the principles and rights of customers regarding data protection are applied appropriately based on their privacy and within the bank's responsible digitalisation process included in its 2018-2020 Strategic Plan.

No. of employees trained in data protection	1,501
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Data protection is designed to guarantee and protect the fundamental rights of natural persons and especially their honour, their privacy and that of their families. It is governed by Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the 'GDPR'), and Organic Law 3/2018, of 5 December, on the protection of personal data and the guarantee of digital rights.

These rules are applicable to personal data of any natural person in the EU. Their data must be processed lawfully, fairly and in a transparent manner, respecting customers' rights and maintaining secrecy of the information accessed as a result of our operations.

They govern the role of the data protection officer as guarantor of compliance with the regulations and to whom any data subject may consult for any doubts.

In 2019, Bankia's internal regulatory framework was defined by the Personal Data Protection Policy approved by the Board of Directors. The policy is based on principles of lawfulness, transparency and minimisation of data, the duty to secrecy and guarantees for the exercise of rights of access, rectification, erasure, restriction, data portability and objection of data subjects.

Compliance with the policy is mandatory for all Bankia managers, directors and employees, and especially staff who, because of their function, activity or job, access, process and/or store personal data for which Bankia is responsible.

The Personal Data Protection Policy is supplemented by other policies, such as the Information Security Policy.

#### INFORMATION SECURITY AND CYBER SECURITY

Technology continues to play a major role in the global risk landscape according to the report presented by the World Economic Forum in 2019.

The risk of cyber attacks is one of the top five risks, behind extreme weather events, climate-change mitigation and adaptation, natural disasters, large-scale data fraud or theft.

The last few years have witnessed a considerable increase in Spanish and international regulations on information security and e-commerce (e.g. PSD2, NIS directive, Swift, GDPR). Adapting to new regulations and based on its technological development plans, Bankia has geared its efforts towards diagnosing relevant gaps and developing of cyber security capabilities in accordance with the international "Cyber Strategy Framework".

On completion of the 2016-2018 Strategic Security Plan, which has enabled Bankia to certify its security levels with those of the world's leading banks and improve the company's maturity in cyber security considerably, the Cybersecurity Committee approved the 2019-2021 Cyber security Strategic Plan.

The plan's main objective is to enhance risk management and ensure that the controls in place are effective. Thanks to the new big data and artificial intelligence (IA) technologies, implementation of advanced models for detecting new cases and patterns of fraud has been stepped up.

The Cyber Security strategy entails placing customers at the centre in detecting fraud rather than independently controlling the channels through which they operate. This enhances the service and allows for early detection of fraudulent activities.

The plan responds to Bankia's commitment of security as a key pillar, not only to earn customers' trust and contribute actively to delivering its strategic objectives, but also to position Bankia as a benchmark in cyber security and the fight against fraud. The main actions of the plan are:

- Become a benchmark in cyber security and the fight against fraud, contributing to the bank's sustainable profitability to help earn the loyalty of shareholders and investors.
- Pre-empt regulatory requirements to boost efficiency in complying with regulations, guaranteeing the bank's solvency.
- Leveraging cyber security and innovation as key drivers to increase customer trust and satisfaction.
- Foster the internal commitment of all Bankia professionals to cyber security, making them the bank's first line of defence.
- Carry out cyber security actions for everyone to increase awareness and involvement by society.

The plan consists of a set of 19 initiatives. Many of these are transformational, including changes to the cyber risk management, anti-fraud governance, and protection of information models.

The most important advances in 2019 included transformation of the anti-fraud governance model with the creation of the Global Fraud Unit to address new challenges and comply with emerging regulations. Another was the transformation of the management model with the definition of a comprehensive cyber risk system for quantification of risks arising from threats so they can be prioritised and decisions can be taken to implement security controls. A secure software development model was rolled out during the year to strengthen the construction of applications with optimal security levels.

The security governance model entails action by three committees: the Cyber Security Committee, which is the executive body, and the Security Committee and the Global Fraud Management committee, which are information and consultation bodies. The chief cyber security officer attends meetings of these committees regularly.

The Cyber Security Committee meets monthly. It is presided over by Bankia's chief executive officer and is composed of senior officers. It reports to the Management Committee and the Board of Directors.

No. of Cyber Security Committee meetings	8
Investment in cyber security risk prevention (EUR million)	5.78

As a financial institution, Bankia strives to create a corporate cyber security culture through a variety of projects, such as the customer cyber security awareness-raising and information campaign carried out. Bankia, alongside Bankia Foundation and in partnership with the Madrid chapter of ISACA, which addresses issues of cyber security, created a dual vocational training programme on security called "Cibertodos" (cyber all), and promoted cyber security by sponsoring events such as "II Congress on GRC (governance, risk and compliance)" and "II National Meeting of Red Teams".

The main challenge going forward will be to maintain the ability to adapt and respond to increasingly complex threats and greater cyber crime industrialisation through, for instance, adaptive automation of cyber security controls based on cyber risk, optimisation of physical and logical security integration models, and optimisation of internal and third-party assessment of compliance with information security regulations.

### e. Risk management

Risk management is a strategic pillar for Bankia. Its main objective is to preserve the entity's financial and capital strength, while driving value creation and business development in line with the risk appetite and risk tolerance levels set by the governing bodies.

To achieve this, Bankia has an internal control framework organised in accordance with three lines of defence model, in which the Board of Directors is charged with setting the risk control and management policies and overseeing the effectiveness of internal control.

This framework is in place to guarantee:

- Effective and efficient operations.
- Prudent business management in accordance with the objectives set by the Board of Directors.
- Appropriate identification, measurement and management of risks in accordance with the strategic and business objectives, with an appetite level defined by the Board of Directors.
- Sound accounting procedures and reliability of financial and non-financial reporting.
- Compliance with applicable laws and internal policies and procedures.

To deliver these objectives, the Group's Internal Control Framework is guided by the following principles:

1. Independence and enterprise-wide scope, so as to ensure availability of the information required for decision making at all levels
2. Objective decision making, taking all the relevant risk factors (both quantitative and qualitative) into account.
3. Active risk management at every stage of the risk life cycle, from pre-approval credit analysis until the debt is extinguished.
4. Clear processes and procedures, subject to regular review in light of changing needs, with clearly defined lines of responsibility.
5. Integrated management through identification, quantification and homogenisation of all risks based on a common measure (economic capital).
6. Differentiated risk treatment, approval levels and management procedures according to risk characteristics,
7. Development, implementation and diffusion of advanced management support tools to facilitate risk management, with effective use of new technologies.
8. Decentralisation of decision making, based on the methodologies and tools available.
9. Inclusion of the risk variable at all levels of business decision-making (strategic, tactical and operational).
10. Alignment of the risk function's and risk managers' objectives with the objectives of the bank as a whole, so as to maximise value creation.

Bankia has a Risk Appetite Framework and Risk Tolerance approved by the Board of Directors, where the risk appetite statement is the key component in the entity's risk management: Risk appetite is understood as the amount and type of risk Bankia is willing to take in its activity in order to meet its objectives, complying with regulatory restrictions and the commitments undertaken.

This framework includes a set of indicators that provide a holistic view of the desired and maximum levels of risk for each risk considered significant for Bankia, along with monitoring mechanisms and responsibilities of the various committees and governing bodies involved.

The Board of Directors reviews the framework annually, updating the desired and maximum levels, and the metrics considered most appropriate for monitoring.

Together, the Risk Appetite Framework and the Capital Planning Framework, also approved by the Board of Directors, set out Bankia's strategic lines of action with respect to risk and capital in normal business situations. Both processes shape the planning of the institution's activities and businesses.

The Recovery Plan, in contrast, likewise approved by the Board of Directors, specifies the possible measures to be taken in a hypothetical crisis situation. The measures would be triggered if the predefined level of any of the selected indicators in the plan were exceeded. Their definition is consistent with those determined by the tolerance levels in the RAF.

One of the main features of European regulation implementing the capital agreements known as BIS III is the importance of internal governance as a core element of risk management.

In this regard, Bankia answers to the spirit of this regulation, with its governing bodies assuming responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for assuming, managing, controlling and reducing the risks to which Bankia is exposed. It has several internal committees, attributed different risk control and monitoring responsibilities. The Board of Directors is also responsible for monitoring the effectiveness of internal control, internal audit, regulatory compliance and systems for risk management, which it carries out through the audit and compliance committee.
- The Audit and Control Committee's responsibilities include supervising the effectiveness of internal control, the internal audit, regulatory compliance and the risk management systems. It may issue recommendations or proposals related to these matters to the Board of Directors and verify their monitoring, where appropriate.
- The Risk Advisory Committee advises the Board of Directors on the entity's overall propensity of current and future risk and the risk strategies. It also proposes Bankia's risk control and management policy to the Board of Directors through the ICAAP report.
- The Board Risk Committee is the body responsible for approving risks within the scope of its authority, and for overseeing and administering exercise of delegated authority by lower-ranking bodies, without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

Bankia has an organisational model that is consistent with the risk function:

- a) Status of the CRO. In April 2015, the Board of Directors approved the status of the entity's Chief Risk Officer (CRO), setting the conditions necessary for its performance, its main responsibilities, and the rules and powers for appointment and removal.
- b) The status reinforces the independence of the CRO, which must maintain constant functional reporting with the Risk Advisory Committee and its chairman. The CRO also has regular, direct two-way access to senior management and the governing bodies.

A crucial aspect is internal risk control, organised in accordance with a three lines of defence system.

The risk management directorates, which own the risk processes and are responsible for executing the established controls, comprise the first line of defence.

The second line of defence consists of the areas that oversee risks and define controls to mitigate them. It comprises the Corporate Risk Directorate and the Corporate Regulatory Compliance Directorate.

The third line of defence is composed of the Corporate Internal Audit Directorate. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve Bankia's operations.

#### CREDIT RISK

The credit risk policies are approved annually by the Board of Directors.

The main objectives of these policies are:

- Responsible lending. Customers must be offered the financing that best meets their needs, matching both the terms and conditions and the amounts to the customer's ability to pay and providing borrowers who act in good faith with support to overcome possible financial difficulties.
- Alignment with the Risk Appetite Framework. The credit risk policies must be seen as a set of lines of action and management criteria aimed at achieving compliance with the Risk Appetite statement.
- Setting of criteria that support good banking practice. Specific policies have been adopted in socially sensitive areas, such as dealings with companies involved in controversial weapons, human rights violations or any activity that could compromise the bank's integrity.
- Environment of transparency. An environment of transparency has been created integrating the various systems developed to prevent crimes and combat fraud, with the bank acting at all times in compliance with applicable law.
- Stability of general rules. While specific circumstances can change, general rules and guidelines are there to stay.
- Adaptation. The general rules must be supplemented with segment- and product-specific criteria, so as to establish a well-defined, unambiguous framework for action.
- Risk-adjusted pricing. Each customer must be considered as a whole and each transaction individually in accordance with the bank's pricing policies to ensure that business objectives are met and that cost of risk is covered.
- Data quality. To adequately assess risk, the information used must be sufficient in quantity and quality, so data consistency and integrity must be guaranteed.
- Two-way relationship with internal scoring systems. On the one hand, the internal rating systems must be based on information that is accurate and sufficiently complete to guarantee that they work properly. On the other, lending decisions are influenced by the customer or transaction rating.
- Continuous monitoring of exposures. For monitoring, specific management responsibilities must be assigned, based on policies, procedures, tools and systems that allow proper identification and assessment of exposures throughout their life cycle.
- Strengthening the recovery activity. Recovery must be based on policies, procedures, tools and systems that ensure a flexible and early response by the parties concerned, involving actions and decision-making aimed at minimising the loss incurred by the entity from exposures.



The foundations for the implementation of credit risk management are as follows:

- Involvement of senior management in decision-making.
- Holistic view of the credit risk management cycle to:
  - plan on the basis of key credit risk metrics in order to guide the actions of the business and risk-taking;
  - specialise in each stage of risk management with policies, procedures and resources according to each: approval, monitoring and recoveries.
- Approval policy with criteria to identify minimum transaction and customer requirements, the entity's desired target profile for each type of material risk in line with the Risk Appetite Framework, and the elements or variables to be considered in the analysis and decision-making.
- Preventive customer monitoring system that involves all business units and is integrated in the day-to-day management to improve and facilitate the entity's recovery activity in the event of impairment of exposures.
- Flexible recoveries model that can be adapted to changes in the regulatory environment.
- Decision support and risk measurement tools based on the exposures' credit quality (credit scoring, rating), so as to objectify and maintain a risk management policy attuned with the strategy pursued by the Group at any given time.
- Clear separation of roles and responsibilities. Bankia understands the risk control function as a function that is spread throughout the organisation and is based on a three-lines-of-defence system.

The policies introduce general lending criteria. The most important are:

- Responsible lending: It is important to understand customers' financing needs, taking into account the information and documents provided by customers or obtained from external sources, which must be sufficient. Guarantees must be given to:
  - Offer customers the financing that best meets their needs.
  - Match the facilities and amounts to their ability to pay.
  - Not grant new loans for the purpose of refinancing or restructuring debts to other financial institutions. Subrogations, renewals or renegotiations not due to customers' financial difficulties are not considered in this category.
  - Appraise real estate collateral properly and independently in collateralised lending.
- Customers, especially retail customers, must receive the information they need regarding comparative costs with other products and pre-contractual information and appropriate advice to know and understand the risks associated with the proposed financing.
- Environmental and social risk criteria: the environmental impact of the borrower's business activity must be taken into account. Companies must comply with applicable environmental laws and regulations, in particular the Environmental Responsibility Act and the financial guarantees contained therein.
- New operations or projects linked to companies that have violated human rights or which Bankia knows to have been involved in human rights violations will not be financed.

Bankia's objective is to have a loan book that is as diversified as possible, both across borrowers and across sectors, applying an individual and sector diversification policy in granting loans.

Bankia understands risk monitoring as a set of functions, rules, procedures and tools that enable the prevention, anticipation and management cycle to be carried out efficiently in the event of potential deterioration of risks.

The core mission of risk monitoring units and centres is to manage customers by monitoring the risks taken so measures can be implemented that minimise risk when borrowers' solvency or ability to pay decreases or

threatens repayment of the loans. This policy sets out the type of actions required to respond to each type of proactive management performed.

An important aspect of the credit risk policies concerns loan refinancing and restructuring. The objective is to adapt the financing to customers' ability to meet their payment obligations, providing sufficient financial stability to enable the borrower or its group to continue to operate, were viable.

Credit risk management is performed in accordance with the limits and instructions established in the credit risk policies, underpinned by a set of tools.

#### Risk classification

Rating and scoring tools used to classify borrowers and/or transactions by risk level. Practically all lending segments are subject to classification, based mainly on statistical models. Classification not only assists risk decision-making, but also enables the risk appetite and tolerance stipulated by the governing bodies to be introduced through the thresholds established in the policies.

In addition, risk classification includes a system of monitoring levels. The aim of the system is to facilitate early management of impaired exposures linked to business activities through classification into four categories:

- Level I, or high risk: to be extinguished in an orderly manner
- Level II, or medium-high: to be reduced
- Level III, or medium-low: to be maintained
- Other exposures considered standard.

The level is determined in accordance with the rating, but there are other factors, including the borrower's activity, the accounting classification, the existence of default, the situation of the group to which the borrower belongs. The level assigned determines the powers in terms of credit risk.

#### Risk quantification

Risk is quantified using two measures: expected loss of the portfolio, which reflects the average value of losses and is associated with the calculation of provisioning requirements, and unexpected loss, which is the possibility of substantially higher losses over a period of time than expected, affecting the level of capital considered necessary to meet objectives; i.e. economic capital.

The variables used to measure credit risk, derived from internal models, are exposure at default, probability of default by rating grade, and loss given default (severity).

The expected loss obtained as a result of these represents the average amount expected to be lost on a portfolio at a specific future date. This is a key measure of the underlying risks of a credit portfolio as it considers all the characteristics of the transaction and not only the borrower's risk profile. Expected loss allows a constrained assessment of a specific, real or hypothetical economic scenario or refers to a long time period during which a full economic cycle may have been observed. Depending on the specific use, it is better to use one or the other expected loss.

With the economic capital model, extreme losses can be determined with a certain probability. The difference between expected loss and value at risk is known as unexpected loss. The entity must have sufficient capital to cover potential losses. Therefore, the higher the cover, the higher the solvency. This model simulates the default events, so it can quantify concentration risk.

#### Risk projection

Stress models are another key element of credit risk management, allowing for the risk profiles of portfolios and the sufficiency of capital under stressed scenarios to be evaluated. The purpose of these tests is to evaluate the systemic component of risk, while also considering the specific vulnerabilities of the portfolios. The impact of stressed macroeconomic scenarios on risk parameters and migration matrices are assessed, allowing not only expected loss under stress scenarios to be determined, but also the impact on profit and loss.

### Risk-adjusted return

The return on a transaction must be adjusted for the cost of the various risks it entails, not only the credit risk. It must also be compared with the volume of capital that has to be set aside to cover unexpected losses (economic capital) and meet regulatory capital requirements (regulatory capital).

RAR (risk-adjusted return) is a vital tool for risk management. In wholesale banking, pricing powers depend on both the RAR of the new transactions proposed and the RAR of the relationship, considering all the outstanding business with a customer. In retail banking, RAR is taken into account to determine approval criteria (cut-off points) in accordance with the fees in effect at any given time. The Board, through the Risk Advisory Committee, is informed regularly on the RARs of all the lending portfolios, distinguishing between the total portfolio and new loans.

### Driving the business

A key function of risk management is to create value and drive the business in accordance with the risk appetite levels established by the governing bodies. The Corporate Risk Department is jointly responsible for driving the lending business, providing the tools and issuing criteria to identify potential customers, simplifying decision-making processes, and allocating the lines of risk, all within the defined tolerance levels. It has pre-approval and limit allocation tools and processes for both retail and business banking.

### Recovery management:

Recovery management is defined as an end-to-end process that begins even before a payment is missed, covering all phases of the recovery cycle until a solution is reached, whether amicable or otherwise.

Early warning models are applied in lending to retail customers. These are designed to identify potential problems and offer solutions, which may entail adjusting the terms of the borrowing. In fact, many of the mortgage modifications granted in the year were in response to proactive proposals by the entity.

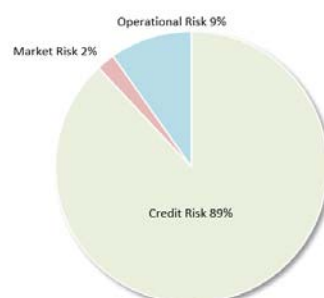
With business loans, the system of levels described above pursues the same objective: early management of delinquency. Accordingly, the entire portfolio is monitored, and default is always the result of failed prior negotiations.

### Concentration risk management

A set of different tools is used to analyse and monitor risk concentration. First, as part of the calculation of economic capital, it identifies the component of specific economic capital as the difference between systemic economic capital (assuming maximum diversification) and total economic capital, which includes the effect of the concentration. This component provides a direct measure of concentration risk. An approach similar to that used by ratings agencies is applied, paying attention to the weight of the main risks on the volume of capital and income-generation ability.

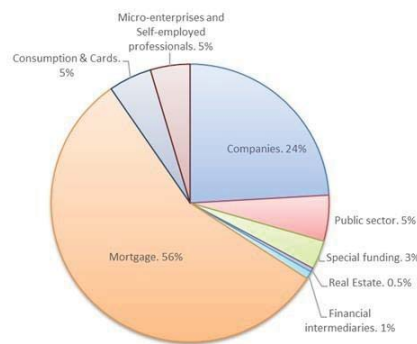
### Credit risk profile

Based on the distribution of risk-weighted assets (RWAs), Bankia's risk profile shows a predominance of credit risk, with the following distribution:

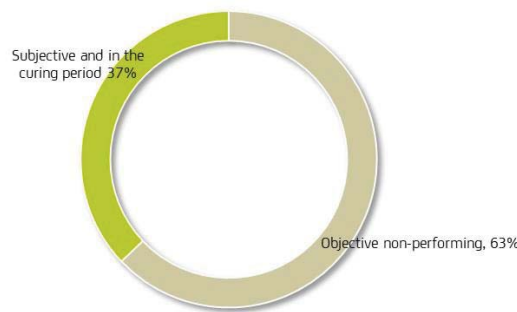


Key characteristics of the credit risk profile and trends in 2019:

- The mortgage portfolio accounts for 56% of total loans and receivables. The business loan portfolio is the second largest, with a 24% weight.
- The breakdown of loans and advances to customers is 34% wholesale segment, and 66% retail, similar to 2018.
- The portfolio of real estate development assets represents 0.5% of loans and receivables.



- The Bankia Group ended 2019 showing a sharp decline in non-performing assets of 23% (EUR 1,950 million), resulting in a reduction in the NPL ratio to 5.0%.
- The distribution of non-performing loans is 63% due to objective criteria and the remaining 37% due to subjective criteria or are in the curing period. Accordingly, no loans in this portfolio are past-due that imply objective arrears.



- Regarding the quantification of credit risk at year-end 2019, the distribution by portfolios using exposure at default (EAD), expected loss and regulatory capital would be as explained below.

Segment name	Dec-19	
	Regulatory Capital	Expected Loss
Entities	39.2	88.8
Banks and financial intermediaries	186.3	7.9
Companies	1,774.1	1,477.3
Real Estate	96.7	177.8
Retail:	2,322.4	1,797.7
<i>Mortgage</i>	1,734.8	1,195.9
<i>Consumption</i>	268.0	193.9
<i>Cards</i>	104.8	63.7
<i>Small business and self-employed professionals</i>	214.9	344.2
Equity	67.9	2.0
<b>TOTAL</b>	<b>4,486.5</b>	<b>3,551.4</b>

## MARKET RISK

Market risk arises from adverse movements in the value of financial assets in the entity's held for trading portfolio. Specifically, the risk is due to variability in the underlying market value, the liquidity of the assets or the effectiveness of the measurement models used.

A general framework is in place for integrated, prudent and consistent management of market risk to preserve solvency and prevent earnings from being heavily affected by the complexity and scale of the risks taken.

Market risk is measured using mainly two metrics:

- VaR: the maximum loss that can be incurred in a given period with a given confidence level. SVaR (stressed VaR) is the VaR calculated in an extreme market situation.
- Sensitivity: measures the change arising in the economic value of a portfolio in response to predetermined, fixed movements in underlying market factors affecting the value (interest rates, exchange rates, equities, spread, credit spreads, commodity prices and their respective volatility).

Stress-testing is performed regularly to quantify the economic impact of extreme movements in market factors on the portfolio.

The following initiatives were undertaken in 2019:

- Development of an alternative engine for calculating the incremental risk component of the internal capital model for market risk.
- Integration in the risk tool and validation of the component of the revised standardised approach based on sensitivity of the curve and default risk for calculating minimum capital requirements for market risk.
- Adaptation of the revised standardised approach for calculating minimum capital requirements for market risk.
- Integration of additional valuation adjustments (AVAs) in reporting processes.
- Integration of hedge effectiveness tests in the risk tool.
- Development and roll-out of new products.
- Improvements to statistical data quality in the risk tool.

- Substitution of benchmark indices in the risk tool.
- Responses to requests and participation by Bankia in different exercises from the European Banking Authority (EBA) and the European Central Bank.

#### COUNTERPARTY RISK IN FINANCIAL MARKETS

Counterparty risk is the risk that a counterparty will fail to meet its contractual obligations, giving rise to a loss for the bank in its financial market activity.

The risk policy control and management stems from several of the bank's decision-making bodies, with the Board of Directors responsible for approving the Policy Manual for Credit Risk in Market Activities. All financial market activity is covered by this manual, which includes policies for financial and non-financial institutions, and treasury departments, setting overall limits that function as action frameworks.

The manual covers mainly:

- Definition of counterparty risk and the type of authorised products, including credit and fixed-income transactions.
- Definition of authorised holders and criteria for allocating limits for financial and non-financial institutions.
- Metrics used to calculate counterparty risk.
- Measures to mitigate counterparty risk. The bank mainly uses the following mitigation tools:
  - Early repayment clauses (break clauses) in derivative products.
  - Offsetting of debit and credit positions with the same counterparty (netting).
  - Posting of collateral at the net market value of the positions.
  - Replacement of derivative multiples between two counterparties with a smaller number and a smaller notional amount, lowering the credit exposure (compression).

During the year, Bankia developed models and systems related to the new EMIR regulation – initial margin, on integration of tools to calculate margins, the creation of new counterparties, signing agreements and limits as a result of Brexit, report automation, and the securities lending project.

#### INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is the risk of loss resulting from adverse movements in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and repricing of assets, liabilities and off-balance sheet transactions. Like other risks, management of interest rate risk in the banking book is based on a clear system of separation of roles and responsibilities.

Interest rate risk is monitored and managed in accordance with criteria approved by the governing bodies. The risk measures relating to regulatory scenarios are incorporated into the entity's Risk Appetite Framework. The limits are adapted to the tolerance and appetite levels set by the Board of Directors. To oversee and monitor these limits, the Assets and Liabilities Committee receives monthly reports on the situation of risk in the banking book both in terms of economic value (sensitivity to different scenarios and VaR) and in terms of net interest margin (net interest income projections in different interest rate scenarios over horizons of one to three years). At least quarterly, the Board of Directors is informed through the Risk Advisory Committee on the situation and monitoring of limits and is notified immediately if the high-level limits are breached.

The institution prepares various sensitivity scenarios in line with regulations including both parallel (currently  $\pm 200$  basis points) and non-parallel shifts and shifts affecting the slope of the curve, in line with EBA guidelines.

In 2019, the entity focused on implementing metrics related to the new EBA guidelines on interest rate risk. Key actions included:

- Further improvements to the model's architecture and greater process efficiency related to the calculation engines.
- Development of the risk model based on information and data quality.
- Adaptation to the European Banking Federation's approach to credit spread risk the banking book (CSRBB).
- Development of the baseline risk model.

#### LIQUIDITY AND FUNDING RISK

Bankia aims to maintain a long-term funding structure in line with the liquidity of its assets and maturity profiles that are compatible with the generation of stable and recurring cash flows, so that the balance sheet can be managed without liquidity strains in the short term.

To that end, its liquidity position is identified, controlled and monitored daily. In line with the retail business model underpinning the Bankia's banking activity, the main funding source is customer deposits. To cover any additional liquidity requirements Bankia raises funds in the domestic and international capital markets and has sizeable funding activity in the repo markets

For reasons of prudence and to protect itself against possible strains or crisis situations, the bank also holds various assets as collateral at the European Central Bank (ECB), which allow it to obtain immediate liquidity. Constant monitoring of collateral identifies the assets that can be used immediately as a liquidity reserve in times of market stress, differentiating between those that are accepted by the ECB and those that are accepted by the clearing houses or other financial counterparties (insurance companies, mutual funds, etc.).

Regarding the structure of roles and responsibilities, the Assets and Liabilities Committee (ALCO) is charged with monitoring and managing liquidity risk based on recommendations, mainly by the Corporate Finance Directorate and within the Liquidity Risk Appetite and Funding Framework approved by the Board of Directors. The ALCO proposes rules for raising funding, for each instrument and maturity, to ensure the availability at all times of funds at reasonable prices to meet obligations and finance the growth of its lending activity.

At the same time, the Markets and Operational Risks Directorate operates as an independent unit, monitoring and analysing liquidity risk, among other responsibilities. It promotes the integration of liquidity risk in management by developing metrics and methodologies to ensure that the level of liquidity risk remains within the tolerance limits over the defined risk appetite. Specific targets are set for these metrics in managing liquidity risk in both business-as-usual and stress situations, with the primary objective of achieving adequate self-financing of on-balance sheet credit activity. Secondly, there are efforts to promote appropriate diversification in the wholesale funding structure, limiting the use of capital markets in the short term, as well as in the funding mix, maturity terms and concentration of assets in the liquidity buffer.

Alongside the monitoring of liquidity risk in normal market conditions, action guidelines have been designed to prevent and manage situations of liquidity stress. This pivots around the Liquidity Contingency Plan (LCP), which sets out the committees in charge of monitoring and activating the LCP and the protocol for determining responsibilities, internal and external communication flows, and potential action plans to, where appropriate, redirect the risk profile within the Bank's tolerance limits. The LCP is backed by specific metrics, in the form of LCP monitoring alerts, and by complementary metrics to liquidity risk and regulatory funding indicators.

The entity continued to work on strengthening its liquidity and funding risk management framework in 2019. For that purpose, through the internal liquidity adequacy assessment process (ILAAP) it assessed a series of qualitative aspects to verify the extent to which the management framework built around liquidity and funding risk complied with the supervisor's regulatory principles and guidelines in accordance with the bank's size and complexity. These assessment uncovered weaknesses and areas of improvement, paving the way for further improvements in the quality of the risk management framework. The following actions were taken to address the weaknesses:

- Improvement, within the ILAAP management framework, was made on a series of recommendations aimed at enhancing governance of the process and better adapting to the approach of the European Central Bank (ECB).
- The asset encumbrance ratio (% AE) was included in the Risk Appetite Framework.
- Necessary developments were made to address the registration and harmonised information requirements for issues of ECB-eligible territorial covered bonds (*cédulas territoriales*), raising the entity's issuance capacity.
- IT developments were made to meet the registration, information and data quality requirements of the various agents (Bank of Spain, ESMA, European Data Warehouse and rating agencies). These are requirement for securitised issues to meet ECB eligibility requirements.
- Improvements in automation of regulatory reporting.
- Improvements in liquidity metric assessment processes under stress events with inclusion of the LiST-2019 approach.

#### OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes reputational risk.

To manage operational risk, Bankia promotes an operational risk management culture, with a particular emphasis on awareness-raising, accountability and commitment, and service quality. It also aims to ensure that operational risk is identified and measured reliably, to implement systems for continuous improvement in processes, the control structure and mitigation plans, and to promote new risk transfer mechanisms that limit exposure, while also ensuring that contingency and business continuity plans are in place.

The internal risk assessment was carried out in 2019, reviewing the entity's level of exposure and the applicability of the controls over the most important risks. Additionally, further work was done on the plan for new roles and responsibilities in the operational risk unit in line with the three lines-of-defence model implemented. Over the last four months of the year, the operational risk and internal risk control functions were unified under a single Non-Financial Risk Control Directorate in a bid to leverage synergies, approaches and common tools so as to strengthen the entity's control framework and expand the role as a second line of defence in the areas of technology and cyber security. Information reported in the Risk Appetite Framework was also strengthened with the addition of the IT risk control metric, complementing the information already reported on cyber risk.

In regulatory reporting, automation of the operational risk statements was completed, generating the pertinent information with respect to the Chief Data Officer (CDO). As for outsourcing by the entity, an update to the Policy on outsourcing services and functions was approved to adapt to EBA/GL/2019/02 "EBA Guidelines on outsourcing". The roles and responsibilities of managing and controlling outsourcing service arrangements is complemented with the General Outsourcing Model and the Outsourcing Handbook.

#### REPUTATIONAL RISK

Bankia continued to devote major efforts to managing reputational risk, in line with regulatory and supervisory requirements. One of the most important steps was to integrate reputational risk in the entity's risk model, using an approach for quantifying reputational risks through a monitoring indicator within the Risk Appetite Framework.

The number of departments involved increased further during the year, practically covering the entity's entire organisation and providing a more comprehensive and accurate view that facilitates decision-making.

These measures completed a project that in 2017 resulted in the design of a synthetic indicator to monitor changes in Bankia's reputation that determines the main (internal or sector) risk events and analyse the quality of the control environment in place in Bankia to prevent or mitigate them. With this indicator, the



Board of Directors knows the level of Bankia's reputation and the related risk map, enabling it to identify actual or potential problems and lay down basic principles and guidelines in this respect.

#### EMERGING RISKS

In the supervisory review and evaluation process (SREP), it is acknowledged that a good internal capital adequacy assessment process (ICAAP) reduces an institution's and its supervisor's uncertainty concerning the risks that the institution is or may be exposed to, and gives supervisors an increased level of confidence in the institution's ability to continue operating by maintaining adequate capitalisation and by managing its risks effectively. This requires the institution, in a forward-looking manner, to ensure that all material risks are identified, effectively managed (using an appropriate combination of quantification and controls) and covered by a sufficient amount of high quality capital.

On this premise, Bankia has a dynamic and continuous risk identification and measurement procedure involving all areas related to potential risks, within their remit, with the objective of measuring risks that bank incurs, or may incur, in carrying out its operations.

This process is updated at least annually from both a regulatory and economic perspective to measures risks already identified and emerging risks. The Board of Directors, as the senior body, decides which risks are considered material and which it will cover with capital, incorporating them into Bankia's risk map.

#### FINANCING OF CONTROVERSIAL ACTIVITIES

Bankia's Loan Approval Policy, approved by the Board of Directors, contains a series of principles that set out the guidelines defined by the bank for financing operations, considering environmental criteria and controversial sectors, specifically:

- Environmental impact of business activity. Bankia considers, in general and in sectors with the greatest impact in particular (e.g. the chemical industry, the energy industry) the company's development of an ISO 140001 or European EMAS certified environmental management system.
- Compliance with applicable environmental laws. Given the increasing volume of legislation from European to local level, this warrants detailed analysis of the company's various centres and branches of activity. Application of the Environmental Responsibility Act and compliance with the financial guarantees contained therein are considered. The longer the term of the operation, the more important this aspect is.
- New operations or projects linked to companies that have violated human rights or which Bankia knows to have been involved in human rights violations will not be financed.
- For lending projects. Environmental and social aspects that may be affected are considered jointly. Where necessary, compliance with the Equator Principles is required.
- For assets received as collateral, the related environmental or social risks are assessed.

## 4. RESPONSIBLE BANKING

### a. Corporate governance

Bankia's governing bodies are the General Shareholders Meeting and the Board of Directors.

- The General Shareholders Meeting is the highest decision-making authority within the scope attributed to it by law or the bylaws; e.g. the appointment and removal of Directors, the approval of the annual financial statements, the distribution of dividends or the acquisition or disposal of core assets, and the approval of the director remuneration policy.

- The Board of Directors is responsible for representation of Bankia and has the broadest authority to administer the Company except for matters reserved for the General Shareholders Meeting. Its responsibilities include approving the strategic or business plan, management objectives and annual budgets; determining the Company's general policies and strategies, such as the corporate governance policy for Bankia and the Bankia Group and the responsible management policy; and supervising the operation of any committees it may have set up and the actions of the delegate bodies.

## BOARD OF DIRECTORS

Bankia's Board of Directors comprises 12 directors: three executive directors, eight independent directors and one other external director.

<u>NAME</u>	<u>POSITION</u>	<u>CATEGORY</u>	<u>DATE OF 1ST APPT.</u>	<u>DATE OF RE-ELECTION</u>
Mr. José I. Goirigolzarri Tellaeche	Chairman	Executive	09.05.2012	24.03.2017
Mr. José Sevilla Álvarez	CEO	Executive	25.05.2012	15.03.2016
Mr. Joaquín Ayuso García	Director	Independent	25.05.2012	15.03.2016
Mr. Francisco Javier Campo García.	Director	Independent	25.05.2012	15.03.2016
Mrs. Eva Castillo Sanz.	Lead Independent Director	Independent	25.05.2012	15.03.2016
Mr. Jorge Cosmen Menéndez-Castañedo	Director	Director	25.05.2012	24.03.2017
Mr. Carlos Egea Krauel	Director	Other external	14.09.2017	
Mr. José Luis Feito Higuera	Director	Independent	25.05.2012	24.03.2017
Mr. Fernando Fdez. Méndez de Andés	Director	Independent	25.05.2012	24.03.2017
Mrs. Laura González Molero	Director	Independent	25.10.2018	22.03.2019
Mr. Antonio Greño Hidalgo	Director	Independent	15.03.2016	
Mr. Antonio Ortega Parra	Director	Executive	25.06.2014	24.03.2017

The Board of Directors met 15 times in 2019.

	2019	2018
% attendance by directors to board meetings	98.33%	100%
Average tenure of independent directors	5.7 years	4.7 years
Percentage of women directors	16.67%	16.67%

Bankia's Board of Directors have five committees, whose members are appointed based on their suitability, knowledge, aptitudes, experience and the duties of each committee.

#### Audit and Compliance Committee

The Audit and Compliance Committee is composed of five directors, of which four are independent and one is an external director. It held 18 meetings in 2019.

Its responsibilities include monitoring the effectiveness of internal control, the internal audit, regulatory compliance and risk management systems, as well as the statutory financial reporting process; making proposals to the Board of Director on the selection, appointment, re-election and replacement of the statutory auditors, and conducting relations with the auditors; and examining and supervising compliance with the Company's governance and compliance rules.

#### Appointments and Responsible Management Committee

The Appointments and Responsible Management Committee is composed of four directors, all independent. It held 13 meetings in 2019.

Its authority includes proposing and reporting on the appointment and removal of directors and senior managers; assessing the competencies, knowledge, ability, diversity and experience required on the Board of Directors; defining the functions and aptitudes required of candidates to fill vacancies; assessing the time and commitment required for directors to be able to perform their duties effectively; and examining and organising the succession plan in the Board of Directors, reporting on the plan applicable to senior executives. It also reviews the corporate social responsibility policy and monitors the corporate social responsibility strategy and practices, and assesses all aspects of Bankia's social, environmental, political and reputational risks.

#### Remuneration Committee

The Remuneration Committee is composed of four directors, all independent. It held 9 meetings in 2019

It has general authority to propose and report on directors' and senior managers' remuneration and other terms of their contracts; reviews remuneration programmes, assessing their appropriateness and results; ensures transparency in remuneration; and monitors adherence to Bankia's remuneration policy, among other responsibilities.

#### Risk Advisory Committee

The Risk Advisory Committee is made up of four directors, all independent. It held 29 meetings in 2019.

Its duties include advising the Board of Directors on Bankia's overall risk propensity and risk strategy; ensuring the asset and liability pricing policy offered to customers considers the risk strategy; presenting risk policies to the Board of Directors; proposing Bankia's and the Bankia Group's risk control and risk management policy to the Board of Directors through the Internal Capital Adequacy Assessment Process report; supervising the internal risk control and risk management function; and proposing the credit risk authority framework to the Board of Directors.

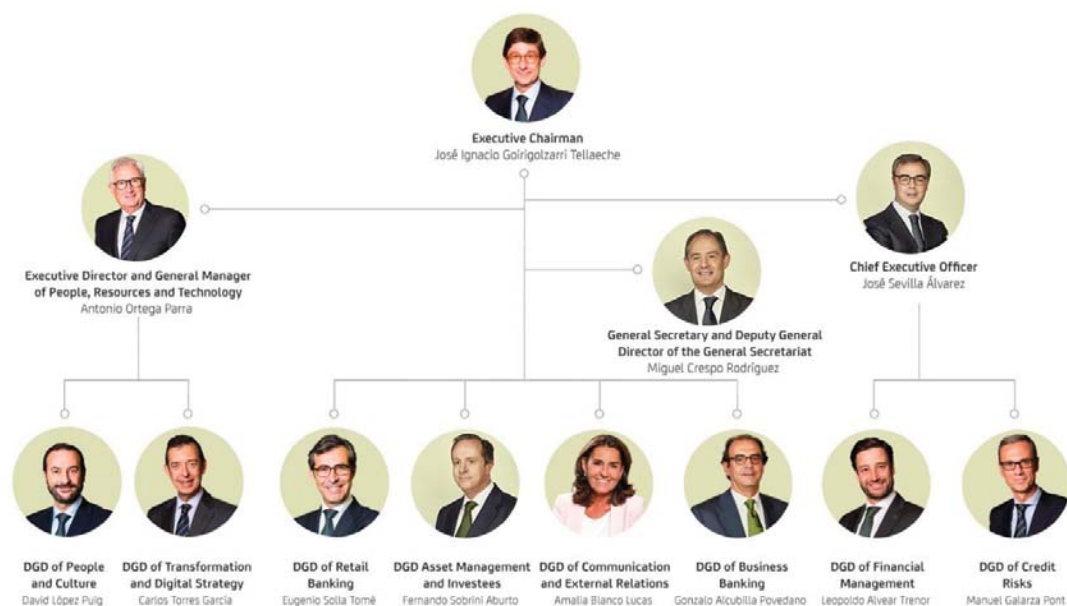
#### Board Risk Committee

The Board Risk Committee is composed of three directors, of which two are independent and one is an executive director. It met 31 times in 2019.

The Board Risk Committee is an executive body with responsibility for approving risk-related decisions within the scope of the authority delegated to it by the Board of Directors. Its remit includes guiding and administering the exercise of delegated authority by lower-ranking bodies; approving important transactions; and defining overall exposure limits. It also reports to the Board of Directors on any risks that may affect Bankia's solvency, recurring results, operations or reputation.

#### MANAGEMENT COMMITTEE

Bankia also has a Management Committee, which is the bank's highest management body, composed of 12 directors: José Ignacio Goirigolzarri, Chairman of Bankia's Board of Directors; José Sevilla, CEO; Antonio Ortega, executive director and director of people, organisation and technology; Gonzalo Alcubilla, deputy general director, business banking; Leopoldo Alvear, deputy general director, finance; Amalia Blanco, deputy general director, communication and external relations; Miguel Crespo, deputy general director, general secretary and secretary of the Board of Directors; Manuel Galarza, deputy general director, credit risk; David López, deputy general director, people and culture; Fernando Sobrini, deputy general director, asset management and investees; Eugenio Solla, deputy general director, retail banking; and Carlos Torres, deputy general director, transformation and digital strategy.



## CORPORATE GOVERNANCE SYSTEM

Bankia has a system of corporate governance approved by the Board of Directors and based on the bank's corporate values with respect to business ethics and corporate social responsibility.

This system is also underpinned by the principles of good governance assumed and set out in the Bankia Group Corporate Governance and Organisational Structure Policy regarding internal governance, approved by the Board of Directors based on the recommendations of the Good Governance Code for Listed Companies approved by the board of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores).

The ultimate aim of Bankia's system of corporate governance is to satisfy the corporate interest, understood as the common interest of all shareholders of an independent, public limited company (*sociedad anónima*) focused on the profitable and sustainable pursuit of its objects and the creation of long-term value and with a broad base of institutional and retail shareholders.

Its main priorities are to establish an appropriate distribution of functions within the organisation, prevent and resolve conflicts of interest, and establish an appropriate and transparent framework for relations between the bank and its shareholders that safeguards their rights and fully respects the principle of equal treatment.

Bankia's corporate governance system is made up essentially of:

- Corporate documents: Corporate Bylaws, General Meeting Regulations, Board of Directors Regulations, and the Regulations of the Audit and Compliance Committee, the Appointments and Responsible Management Committee, and the Remuneration Committee.
- Internal rules of conduct and procedures: The Code of Ethics and Conduct; the Internal Rules of Conduct in the Securities Market, and other provisions and internal procedures in the areas of anti-money laundering and counter terrorist financing, the Customer Protection Rules of Bankia and its Group, and the Whistleblowing Channel Regulations.
- Corporate policies: are approved by the Board of Director taken legal requirements and good governance recommendations into account, to determine the general principles for the governing bodies and the functions, activities and processes of Bankia and the Bankia Group, establishing an action framework that preserves legal certainty. These include:
  - o Bankia Group Corporate Governance and Organisational Structure Policy

- Policy on Information, Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors
- Remuneration Policy for directors, managing directors and persons performing senior management functions
- Suitability Policy for Directors and General Managers or similar, and other holders of Bankia's key functions and Selection, Diversity, Integration and Training Policy for Directors
- Senior management selection and appointment policy
- Risk control and management policies
- Lending and funding policies
- Responsible Management Policy
- Dividend Policy
- Treasury Shares Policy
- Conflicts of Interest Policy
- Regulatory Compliance Policy
- New Products Policy

Bankia remains committed to the Good Governance Code for Listed Companies and the level of compliance with its recommendations. Of the 64 recommendations included in the Code, the institution complies fully with all 58 that are applicable to it.

#### PROGRESS IN CORPORATE GOVERNANCE

Bankia worked hard over the year to further entrench its corporate governance model.

At Board level, Eva Castillo Sanz was appointed independent coordinator director, replacing Joaquín Ayuso, who ended his term in office, while Carlos Egea was assigned the category of other external director, having resigned from his executive duties on the Board.

As for renewals in the composition of various committees attached to the Board of Directors, Javier Campo, Fernando Fernández Méndez de Andés and Carlos Egea were appointed members of the Audit and Compliance Committee, while Joaquín Ayuso and Antonio Greño were appointed to the Risk Advisory Committee. Joaquín Ayuso was also appointed chairman of this committee.

Eva Castillo was also appointed member and chairman of the Appointments and Responsible Management Committee, while Javier Campo and Laura González Molero were appointed members of the Remuneration Committee. Javier Campo was appointed Chairman of this committee and stepped down from the Risk Committee.

Bankia continued to review its corporate policies in 2019 in a bid to ensure that its corporate governance system remains compliant at all times with regulatory requirements, recommendations and best practices. These policies include the Policy on the suitability of directors, general managers and other key function holders at Bankia, the Policy on the selection, diversity, integration and training of directors, the Policy on corporate governance and the structure of the Bankia Group and the Policy on conflicts of interest.

Bankia has also changed its internal structure to further consolidate its corporate governance model and to support its own transformation and that of its businesses by making them more customer-centric, agile, autonomous and ambitious.

This remodelling included the creation of various sub-divisions to support Finance, Credit Risk, People and Culture, and Transformation and Digital Strategy, whose senior officers now sit on the Management Committee. As a result, the Bank's supreme governing body has now climbed from eight members to 12.

#### ANNUAL ASSESSMENT

The 2018 evaluation of the Chairman of Bankia's Board of Directors, the Chief Executive Officer and the Lead Independent Director was duly completed in 2019. The operation of the Board of Directors, its committees and the chairmen of the committees were evaluated and an individual assessment of each director was conducted.

The Chairman of the Board of Directors works closely with the Chairman of the Audit and Compliance Committee and the Chairman of the Appointments and Responsible Management Committee in organising the annual evaluation of the Board of Directors and its committees.

Meanwhile, the performance of the Chairman of the Board of Directors is assessed on the basis of a preliminary report drawn up by the Appointments and Responsible Management Committee, with the process coordinated and supervised by the Lead Independent Director.

#### ANNUAL SUITABILITY ASSESSMENT

Bankia carries out an annual assessment of the suitability of its directors, general managers or similar positions and key function holders at the Bank.

Directors must be people of good name and sound commercial and professional renown, possess suitable levels of knowledge and experience for the performance of their duties and be able to exercise good governance at the institution. This suitability is not only assessed on an individual basis, but also as regards the Board of Directors as a whole.

Failure to satisfy these suitability requirements constitutes a valid ground for the director's removal from office.

All persons subject to this assessment have confirmed that they meet the commercial and professional suitability requirements set out in the Bankia Group's Suitability Handbook.

#### DIRECTOR COMPETENCY MATRIX

Among other duties, the Appointments and Responsible Management Committee is responsible for drawing up a matrix showing the necessary skills and competencies of the Board of Directors. This matrix defines the skills and knowledge required of nominees for directorships, especially executive and independent directors, and helps the committee define the functions and duties associated with each position to be filled, as well as the skills, knowledge and experience best suited to that position.

DIRECTOR COMPETENCY MATRIX						
	José Ignacio Goirigolzarri	José Sevilla	Antonio Ortega	Carlos Egea	Joaquín Ayuso	Fco. Javier Campo
Status	Executive	Executive	Executive	Other external	Independent	Independent
Number of years on the Bankia Board	7	7	5	2	7	7
Committee membership	-	(5)	-	(1)	(2) (3) (4)	(1) (2) (3)
Membership of other boards	(A) (B)	(A)	(A) (C)	-	(D)	(G)
<b>Prior experience</b>						
Senior management experience in banks/financial institutions	✓	✓	✓	✓		
Senior management experience in other (non-financial) industries	✓		✓	✓	✓	✓
<b>Areas of experience/competency</b>						
Credit institutions	✓	✓	✓	✓	✓	✓
Financial markets	✓	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓	✓
Auditing / Accounting	✓	✓	✓	✓	✓	✓
Strategy consulting			✓		✓	✓
Legal / Regulatory framework	✓	✓	✓		✓	✓
Public sector						
Technology sector	✓	✓	✓			
Tourism / Transport sector					✓	✓
Industrial sector				✓	✓	✓
Consumer / Retail sector						✓
Real estate sector					✓	
Teaching / Research	✓	✓	✓	✓		

## DIRECTOR COMPETENCY MATRIX

	Eva Castillo	Jorge Cosmen	José Luis Feito	Fernando Fernández	Laura González	Antonio Greño
Status	Lead Independent Director	Independent	Independent	Independent	Independent	Independent
Number of years on the Bankia Board	7	7	7	7	1	3
Committee membership	(2) (4) (5)	(3)	(1)	(1) (4) (5)	(2) (3)	(1) (4)
Membership of other boards	(E)	(F) (H) (I)	-		(K) (L) (M)	(J)
<b>Prior experience</b>						
Senior management experience in banks/financial institutions	✓		✓	✓		
Senior management experience in other (non-financial) industries	✓	✓	✓	✓	✓	✓
<b>Areas of experience/competency</b>						
Credit institutions	✓	✓	✓	✓		✓
Financial markets	✓	✓	✓	✓		✓
Risk management	✓			✓		✓
Auditing / Accounting	✓	✓	✓	✓	✓	✓
Strategy consulting			✓	✓	✓	
Legal / Regulatory framework	✓					✓
Public sector			✓	✓		
Technology sector	✓				✓	
Tourism / Transport sector		✓				
Industrial sector	✓	✓	✓	✓	✓	
Consumer / Retail sector					✓	
Real estate sector						
Teaching / Research			✓	✓	✓	

- (1) Audit and Compliance Committee  
(2) Appointments and Responsible Management Committee  
(3) Remuneration Committee  
(4) Risk Advisory Committee  
(5) Board Risk Committee

- (A) BFA, Tenedora de Acciones, S.A.U.  
(B) Confederación Española de Cajas de Ahorros (CECA)  
(C) Ceca Bank, S.A.  
(D) Adriano Care Socimi, S.A.  
(E) Zardoya Otis, S.A.  
(F) National Express Group, Plc  
(G) Meliá Hotels International, S.A.  
(H) General Técnica Industrial, S.L.U.  
(I) Quintorge, S.L.  
(J) Liberty Seguros, Compañía de Seguros y Reaseguros, S.A.  
(K) Acerinox, S.A.  
(L) Grupo Ezentis, S.A.  
(M) Viscofan, S.A.

## DIRECTOR COMPETENCY MATRIX

	José Ignacio Goirigolzarri	José Sevilla	Antonio Ortega	Carlos Egea	Joaquín Ayuso	Fco. Javier Campo
<b>Diversity</b>						
Gender	M	M	M	M	M	M
Training / International experience	USA China Portugal Mexico Argentina Chile Peru Colombia Puerto Rico Brazil Venezuela Italy	Mexico Argentina Chile Peru Colombia Puerto Rico Brazil Venezuela	Portugal Belgium Morocco Puerto Rico Mexico Peru Colombia Venezuela Argentina Chile Italy	-	USA Canada UK Italy Chile Colombia Portugal Ireland Australia	France Portugal Greece Turkey Argentina Brazil China Italy
No. of years as director	33	10	26	30	25	34

## DIRECTOR COMPETENCY MATRIX

	Eva Castillo	Jorge Cosmen	José Luis Feito	Fernando Fernández	Laura González	Antonio Greño
<b>Diversity</b>						
Gender	F	M	M	M	F	M
Training / International experience	Netherlands Belgium Luxembourg Denmark Norway Sweden France Italy UK Germany Czech Republic Slovakia Ireland Russia Greece Portugal Turkey Arab Emirates Saudi Arabia Bahrain Libya Israel USA Brazil Argentina Mexico South Africa	USA UK France Portugal Switzerland Belgium China	USA France	USA Chile Peru Bolivia Colombia Costa Rica Argentina Vietnam Portugal	Portugal Greece Norway Denmark Finland Sweden USA Hong Kong Brazil Mexico Colombia Panama Costa Rica Guatemala Venezuela Ecuador Peru Chile Uruguay Argentina	UK Mexico Honduras
No. of years as director	14	8	18	7	12	4



#### REVIEWED AND UP-TO-DATE SUCCESSION PLANS

Bankia has a Company Succession Plan in place in accordance with regulatory requirements, recommendations and best corporate governance practices, which is updated regularly.

Its scope of application includes the Chairman, Chief Executive Officer, members of the Management Committee and corporate managers.

The aim is to ensure business and leadership continuity and identify suitable successors for the main positions at the entity. It is also used to create development and career plans to ensure that candidates for top positions at the Bank will be ready to take responsibility when the time comes.

#### CONTINUOUS TRAINING OF THE BOARD OF DIRECTORS

Bankia delivers a regular training programme to expand the knowledge of Board members on economic and social matters and concerns. Course content is updated annually in response to the changing needs of directors, regulatory requirements and international best practices.

A total of 10 training sessions were held in 2019 on the following subjects:

- Internal capital adequacy assessment process (ICAAP), stress scenarios and the Board's self-assessment.
- Internal liquidity adequacy assessment process (ILAAP), including possible measures to be taken under different scenarios.
- RDA – Risk Data Aggregation: an overview of the regulations and of what is being done in this regard.
- Cyber Security Plan and Business Continuity Plan.
- Agile methodologies.
- New Mortgage Law: changes in the behavioural model of mortgages and their potential impacts.
- Supervisory activity by the ECB: overview of supervisory actions (two training sessions).
- Governance and oversight procedures for retail banking products: regulatory context, requirements for the manufacturer and distributor, and responsibilities of senior management.
- Anti-Money Laundering and Counter-Financing of Terrorism (AMLCFT): application of the 4th European Directive and the impending 5th Directive, including the internal management tools put in place to monitor how these regulations are applied.
- New Internal Risk Control project.

Board members also receive a regular flow of current news and information in relation to economics and finance, responsible management (corporate social responsibility) and trends, risks and opportunities in non-financial matters (environmental, social and good governance), technological innovation and banking and regulatory standards.

#### CONFLICTS OF INTEREST

Spotting and managing potential conflicts of interest is one of Bankia's top priorities when it comes to corporate governance. The Bank has a number of reporting and decision-making mechanisms to aid it here, notably:

- All directors must make an initial declaration of potential conflicts at the time they take office. This declaration must be updated immediately in the event of a change in any of the circumstances declared or if new circumstances emerge.
- Directors must take steps to avoid any situation in which their own interests or those of their principal may conflict with those of Bankia or with their duties to the Bank. They must also discharge their duties in accordance with the principle of personal responsibility, exercising their own judgement, independently of any instructions from or ties to third parties.
- Directors must promptly notify the Board of Directors of any direct or indirect conflict that they themselves, or persons related to them, may have with the interests of Bankia. They must also refrain from attending meetings or taking part in discussions on matters that concern them directly or indirectly, whether personally or through related persons.

Bankia has drawn up a Conflicts of Interest Policy, which sets out the general rules on how to manage and resolve conflicts of interest. These are implemented and supplemented by the provisions of each of the rules and procedures that make up the internal rules governing potential conflict of interest. In this respect, the main internal rules covering aspects related to the system applicable to conflicts of interest are, but not limited to, the following:

- Regulations of the General Meeting of Shareholders of Bankia
- Regulations of the Board of Directors
- Regulations of the Audit and Compliance Committee
- Regulations of the Appointments and Responsible Management Committee
- Regulations of the Remuneration Committee
- Bankia Group Corporate Governance and Organisational Structure Policy
- Internal Rules of Conduct in the Securities Markets
- Bankia Group Code of Ethics and Conduct

## BOARD REMUNERATION

The remuneration policy for members of Bankia's Board of Directors and senior management is based on various principles, including shareholder engagement, customer orientation, gender equality, a proper balance of remuneration components and balance of remuneration with adequate and effective risk management.

The director remuneration policy is approved at the General Meeting of Shareholders on the recommendation of the Board of Directors. The fixed remuneration of the Bank's executive directors may not exceed EUR 500,000 per year, while their variable remuneration is subject to a cap of 60% of their annual fixed remuneration.

This policy is there to encourage the sustainable achievement of the Bank's strategic objectives. It also aims to bring the remuneration system in line with the recommendations of the supervisory bodies, uphold the interests of shareholders and ensure sound and prudent risk management.

The variable remuneration system applicable to executive directors has a series of safeguards in place for accrual and payment. Variable remuneration will accrue only to the extent that it is sustainable, based on Bankia's overall situation, and only if it is justified on the basis of the Bank's earnings and results. In addition, the industry supervisor must expressly authorise the amount, accrual and payment of such remuneration.

Meanwhile, directors who do not discharge executive functions receive annual maximum pay of EUR 100,000 and do not receive any amount as variable remuneration.

Bankia's directors do not receive any further amount as attendance fees or remuneration for seats held on the Board's committees.

The Chairman of Bankia's Board of Directors, José Ignacio Goirigolzarri, received a fixed salary of EUR 500,000 in 2019, the same amount as the previous year. The same fixed remuneration of EUR 500,000 was also paid to José Sevilla and Antonio Ortega.

These three executive directors each generated variable remuneration of EUR 270,000 per director. This amount includes both annual variable remuneration and multi-year variable remuneration, which must be authorised and approved in accordance with the law and which is conditional on the attainment of multi-year objectives in the case of the multi-year variable remuneration. They will start to receive this remuneration in 2023, ending in 2025. Half of this amount will be paid in cash, while the other 50% will be received in Bankia shares. Shares delivered will be retained for one year following delivery.

Overall, Bankia's Board of Directors received a total of EUR 3,308 million in 2019. Meanwhile, the Group's senior managers received a total of EUR 5.25 million.

Name	Salaries <sup>1</sup>	Fixed Compensation <sup>1</sup>	Short-term variable remuneration <sup>1 3</sup>	Long-term variable remuneration <sup>3</sup>	Remuneration for membership on Board committees <sup>1</sup>	Termination benefits <sup>1</sup>	Total 2019 <sup>1</sup>
Mr. José Ignacio Goirigolzarri Tellaeché	500	0	213	57	0	0	770
Mr. José Sevilla Álvarez	500	0	213	57	0	0	770
Mr. Antonio Ortega Parra	500	0	213	57	0	0	770
Mr. Carlos Egea Krauel <sup>2</sup>	147	51	0	0	0	0	198
Mr. Joaquín Ayuso García	0	100	0	0	0	0	100
Mr. Francisco Javier Campo García	0	100	0	0	0	0	100
Mrs. Eva Castillo Sanz	0	100	0	0	0	0	100
Mr. Jorge Cosmen Menéndez-Castañedo	0	100	0	0	0	0	100
Mr. José Luis Feito Higuera	0	100	0	0	0	0	100
Mr. Fernando Fernández Méndez de Adés	0	100	0	0	0	0	100
Mr. Antonio Greño Hidalgo	0	100	0	0	0	0	100
Mrs. Laura González Molero	0	100	0	0	0	0	100

1. In thousand euros

2. On 26 March 2019, Mr. Carlos Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties resulted in an adjustment to the terms and conditions of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of other external director as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 June to 31 December 2019 as other external director.

3. The amount of annual bonuses for 2019 of Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

	Short-term remuneration <sup>2</sup>	Long-term remuneration <sup>2</sup>	Post-employment benefits <sup>3</sup>	Termination benefits	Total <sup>4</sup>
Senior Executives <sup>1</sup>	4,558	405	287	0	5,250

1. In thousand euros. Includes information on all members of the Management Committee except for the three who are members of the Board of Directors.

2. Target variable remuneration for period 2019 is subject to the definitive assessment and approval.

3. Corresponds to contributions made in respect of pensions and life insurance premiums.

4. Remunerations of Mr. Alvear, Mr. Galarza, Mr. López, Mr. Solla and Mr. Torres for the period from 23 January 2019 to 31 December 2019 have been considered, as well as the amount accrued by Mr. Cánovas for the period from 1 January to 23 January 2019. In addition, Mr. Cánovas has not received any compensation amount by having a post-contractual non-compete agreement for a period of two years for the equivalent amount of two years fixed remuneration.

#### Information for 2018:

Name	Salaries <sup>1</sup>	Fixed Compensation <sup>1</sup>	Short-term variable remuneration <sup>1 4</sup>	Long-term variable remuneration <sup>5</sup>	Remuneration for membership on Board committees <sup>5</sup>	Termination benefits <sup>1</sup>	Total 2018 <sup>1</sup>
Mr. José Ignacio Goirigolzarri Tellaeché	500	0	228	72	0	0	800
Mr. José Sevilla Álvarez	500	0	236	64	0	0	800
Mr. Antonio Ortega Parra	500	0	235	65	0	0	800
Mr. Carlos Egea Krauel <sup>2</sup>	203	29	0	0	0	0	232
Mr. Joaquín Ayuso García	0	100	0	0	0	0	100
Mr. Francisco Javier Campo García	0	100	0	0	0	0	100
Mrs. Eva Castillo Sanz	0	100	0	0	0	0	100
Mr. Jorge Cosmen Menéndez-Castañedo	0	100	0	0	0	0	100
Mr. José Luis Feito Higuera	0	100	0	0	0	0	100
Mr. Fernando Fernández Méndez de Adés	0	100	0	0	0	0	100
Mr. Antonio Greño Hidalgo	0	100	0	0	0	0	100
Mrs. Laura González Molero <sup>3</sup>	0	15	0	0	0	0	15

1. In thousand euros.

2. Carlos Egea was appointed director of Bankia, in the category of "other external director", via a resolution passed at the General Meeting of Shareholders held on 14/09/2017, and included in the Bank of Spain's Register of Senior Officers on 12/01/2018. This carries annual remuneration for all items of EUR 100,000. Subsequently, he was appointed executive director, and on 27 April 2018, his executive director contract became effective, with total annual remuneration for all items of EUR 300,000. The amounts shown are for the period from 1 January to 26 April 2018 as external director and from 27 April to 31 December 2018 as executive director.

3. On 6 November 2018, Laura González was appointed director, which carries annual remuneration for all items of EUR 100,000. The amounts shown correspond to the period from 6 November to 31 December 2018.

4. The data corresponding to the annual bonuses accrued by Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega in 2018 is pending the permits and approvals contemplated in prevailing legislation.

5. The data corresponding to the long-term bonuses accrued by Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega in 2018 is pending the definitive assessment and the permits and approvals contemplated in prevailing legislation.

	Short-term remuneration <sup>2</sup>	Long-term remuneration <sup>2</sup>	Post-employment benefits <sup>3</sup>	Termination benefits	Total <sup>4</sup>
Senior Executives <sup>1</sup>	2,535	260	135	0	2,930

1. In thousand euros

2. Includes the target variable remuneration for 2018 of the five Management Committee members, which amounts to EUR 719 thousand, although the definitive assessment and approval is pending.

3. The target amount of long-term bonuses for the five members of the Management Committee was EUR 350 thousand in 2018; note, however, that the sum of that remuneration and the annual bonus may not exceed 60% of their fixed remuneration. The data corresponding to the long-term bonuses accrued in 2018 is pending both definitive assessment and the permits and approvals contemplated in prevailing legislation.

4. Corresponds to contributions made in respect of pensions and life insurance premiums.

5. Mr. Cánovas' remuneration relates to the period from 7 May 2018, the date of his inclusion in the Bank of Spain's registry of senior officers, until 31 December 2018.

## b. Ethics and integrity

Bankia has a Code of Ethics and Conduct that sets out the rules and guidelines of professional conduct that must be adhered to and applied by all the entity staff and officers and across all the Group's activities and businesses. Enforcement of ethical standards of behaviour and corporate integrity is essential in order to preserve trust in, and respect for, the entity.

The objectives of the code are to specify the conduct that is permitted and the conduct that is prohibited by the entity, and to establish the ethical principles and general rules that must govern the behaviour of the Group and its professionals towards one another and towards customers, shareholders, suppliers and all the individuals and institutions with which the entity, directly or indirectly, has relations.

The Code that is available in Bankia's corporate web and the employee intranet, revolves around the entity's principles and values: commitment, integrity, professionalism, closeness and achievement orientation. These principles are implemented in several ways:

- Corporate. Establishes the values that should guide the Group's relations with its professionals, customers, suppliers and society at large. In particular, it is intended to prevent institutional conflicts of interest by barriers which aim to avoid non-public information on its investment decisions and other activities from being used abusively or unlawfully.
- Integrity in the markets. Various procedures and controls have been designed and implemented to ensure compliance with international standards in this area. In particular, policies have been put in place to prevent market manipulation and misuse of inside information and to foster free market competition and transparency. Policies have also been developed to prevent corruption crime. Bankia has various control mechanisms for this purposes and training plans for managers and other staff. There are also specific recommendations to prevent corruption in supplier contracting, incentives and credit risk.
- Personal. Accepting gifts, presents, money or commissions of any kind for operations carried out by Bankia and influencing matters in which there are actual or potential conflicts of interest is expressly prohibited.

The Group's professionals have an obligation to know, comply with and help to enforce the Code of Ethics and Conduct. Bankia is committed to disseminating the code and sends regular reminders to employees to raise awareness and facilitate compliance. In addition, the entity has channels available through which they can report any evidence or proof of infringement of the code.

Bankia's Ethics and Conduct Committee is in charge of overseeing compliance with the Code, and promoting ethical behaviour within the entity. To that end, it carries out cross-organisational actions to raise employee awareness of the need to prevent situations that could potentially lead to breaches of the code.

	2019	2018
Duties of Ethics and Conduct Committee	10	11

The duties of the Ethics and Conduct Committee include: taking the necessary measures to address ethically questionable conduct, processing reports received through the whistle-blowing channel and possible conflict of interest, and communicating any circumstances that may give rise to material risks. It also responds to queries and concerns and suggestions raised regarding compliance with the Code of Ethics.

The Ethics and Conduct Committee evaluates the degree of compliance with the Code of Ethics each year and reports to senior management, while also proposing any changes that may be needed to bring the code in line with the performance of the business.

When it comes to disciplinary action, it takes decisions based on the powers and authorisations conferred in terms of human resources and organisation, especially where the proposal or resolution entails dismissal for disciplinary reasons.

Without prejudice to the responsibilities ascribed to the Audit and Compliance Committee, the committee submits a report on its activities to the Appointments and Responsible Management Committee, doing so at least once a year, if not more often.

	2019	2018
Percentage of employees under the obligation to know and comply with the Code of Ethics and Conduct	100%	100%
Percentage of employees trained in the Code of Ethics and Conduct (cumulative historical figures)	90%	92%
No. of employees trained in the Code of Ethics and Conduct	433	2,543
Percentage of new hires trained in the Code of Ethics and Conduct (cumulative historical figures)	58%	35%

#### REINFORCEMENT OF THE CONFIDENTIAL WHISTLEBLOWING CHANNEL

Bankia has set up a confidential/anonymous Whistleblowing Channel to help enforce its Code of Ethics and Conduct. This channel, available through Bankia's corporate website and Intranet system, facilitates the flow of information and the internal detection of bad practices by allowing users to report issues via the digital platform or by e-mail.

The channel comes with its own set of regulations, approved by the Audit and Compliance Committee, which establish mechanisms for receiving, filtering, sorting and resolving reports or incidents in accordance with Spanish Data Protection Agency standards.

The channel is managed externally by a specialised company (currently PwC), under the oversight of the Ethics and Conduct Committee, which guarantees that all reports received are assessed independently and that the information is shared only with people whose collaboration is strictly necessary to investigate and resolve the matter.

A new feature was introduced in February 2019, whereby the whistleblowers can choose to report confidentially or anonymously if they prefer.

A total of eight reports were received through the Confidential Whistleblowing Channel in 2019. Of these, seven cases were resolved without incident and the whistleblower was informed of the decision and the reasons why, while one led to minor disciplinary action.

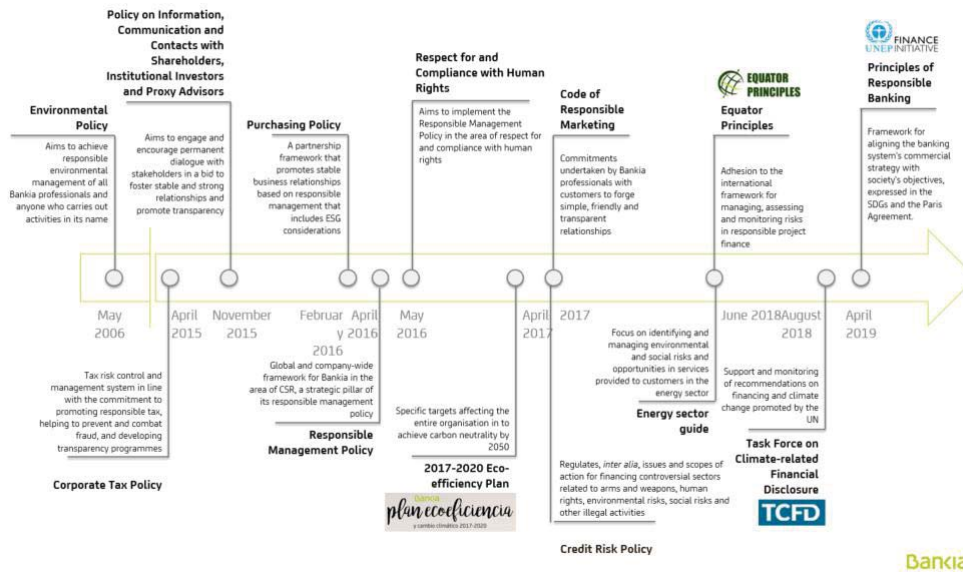
	2019	2018
Reports received through the Confidential Whistleblowing Channel since its creation in 2013	70	62

Type of reports received via the Confidential Whistleblowing Channel in	2019	2018
Market abuse	0	0
Workplace bullying	4	2
Irregular conduct with suppliers	0	0
Misappropriation or syphoning off of resources	0	2
Accounting and auditing aspects	1	3
Confidentiality or use of insider information	0	0
Conflicts of interest	0	0
Question/Suggestion	0	1
Falsification of contracts, reports or records	0	0
Infringements regarding securities or equities trading	0	0
Environmental protection	0	0
Information security	0	0
Physical security	0	0
Bribery or corruption	0	0
Infringement of employee rights	0	0
Other	3	3

**c. Sustainable financing**

Bankia is firmly committed to the inclusion of environmental, social and good corporate governance (ESG) criteria across all areas of its business, based on a sensible and prudent combination of policies, standards and guidelines to steer its responsible management.

The bank has worked hard in recent years to define an extensive framework for doing sustainable business, as shown in the following timeline, which shows the principles adopted and the steady and progressive inclusion of ESG criteria in Bankia's policies and regulations.



Meanwhile, Bankia has been showing its strong support over the last two years for the recommendations on financing and climate change promoted by the Financial Stability Board through the Task Force on Climate-related Financial Disclosures (TCFD), and the Bank has also announced its adherence to UNEP FI and the Principles for Responsible Banking, as well as the Collective Commitment to Climate Action, promoted by the United Nations, all of which were ratified in September 2019 at the United Nations General Assembly.

Bankia also aspires to align its activity with the new regulatory landscape emerging in the European Union and incoming domestic law and regulations, in a bid to accelerate the region's transition towards a sustainable, emission-free economy that effectively contributes to the fight against global warming.

On an organisational scale, and as part of its business structure, Bankia set up a Sustainable Business and Financing Department in 2019 so as to better mobilise its resources under a framework of action committed to ESG criteria, while promoting the financing of investments under these same criteria. This latest decision is a further show of Bankia's ongoing commitment to sustainable finance, to cushioning the environmental impact of its activity and to becoming a benchmark in sustainable financing.

With this new structure, the Bank aims further improve its cross-cutting and integrated approach to sustainability and not only in terms of customer segments and products, but also the bank's various central support units.

Along similar lines, the Sustainable Financing Master Plan was presented to the Management Committee in late September 2019. This plan sets out specific objectives at the main areas of the bank most heavily involved in acting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in order to address the risks and opportunities of climate change. Here, Bankia has been building an internal project for sustainable business development, with the involvement of several key departments: systems, risks, business, financial management, sustainability, and organisation, among others, with the aim of making environmental, social and good governance (ESG) criteria part of the process of identifying business opportunities, granting loans and financing and managing the associated risks.

To respond to the objectives defined in the Master Plan and to make further progress in implementing measures to put the TCFD recommendations into practice, five working groups have been set up, each tasked with specific objectives:

- When it comes to metrics and objectives, the Reporting Working Group aims to identify sustainable operating brands (including progress in EU Taxonomy), with the goal of putting in place a centralised information system that will enable the Bank to trace and report sustainable operations (taking into account what Scope 3 reporting entails) and establish concrete metrics to be monitored through specific scorecards.
- Meanwhile, the Risk Management Working Group, which includes members of the risk acceptance, global risk management and non-financial risk teams, has been tasked with devising a system to make ESG risks part of the transaction assessment and acceptance process, and also to include ESG considerations within the risk appetite framework.
- The Governance Working Group seeks to ensure that the Bank's various policies, which constitute the internal body of regulations, include ESG criteria to the extent that they are relevant.
- The objectives of the Business Strategy Working group include that of identifying and flagging business opportunities associated with sustainable financing, designing commercial solutions in response to those opportunities, and ensuring that the product base meets the technical characteristics needed to adequately monitor the activity.
- Lastly, there is the Funding Working Group, whose main mission is to devise a sustainable debt issuance framework that is in line with best market practices regarding its governing principles and that will enable the bank to issue sustainable debt as and when strategically needed and in line with its financial planning.

Another of the initiatives included in the Bank's 2019-2020 Responsible Management Plan is the process of defining a sustainable financing framework, which will be the bedrock for the creation and promotion of products and services that respond to sustainable customer demand, while analysing the financing opportunities now emerging from the transformation towards a low-carbon economy that will impact businesses and households' consumption, savings and investment habits.

Bankia is also seeking to make climate risk management an integral part of its governance and its risk maps. The Risk Acceptance Policy, the last review of which was approved by the Board of Directors in May 2019, regulates granting of financing that embraces good banking practices. Credit limits have been put in place

and acceptance criteria established for transactions in sectors or involving borrowers considered sensitive. This area includes transactions that carry environmental risk. Here, Bankia is drawing up a series of sector-specific guides to impose financing restrictions in sectors which, due to their nature or characteristics, could have a potentially adverse environmental or social impact. In 2018, Bankia approved the Energy Sector Guide and new sets of guidelines for the agriculture and defence sectors are due to be approved in 2020.

Bankia's catalogue includes products that champion sustainable consumption and investment among individuals, the self-employed and businesses. For instance, Bankia offers the Sustainable Credit and the Sustainable Business Loan to finance the purchase of sustainable goods and services, such as hybrid or electric vehicles, low-consumption appliances and energy-efficient machinery, or the financing of facilities or renovation work to improve energy efficiency. The entity also offers customers hybrid or zero-emission vehicle rental services. Bankia also has a range of special insurance policies for solar photovoltaic facilities and agricultural insurance.

To further improve its unique range of sustainable financing products and services, in 2019 Bankia signed a pioneering agreement with the EIB to co-finance the construction of nearly zero-energy housing in Spain. Under this agreement, people who decide to purchase these homes will enjoy special financing conditions through the 'green mortgages' offered by Bankia, with favourable financing conditions from the EIB, which can knock up to 0.25% off the final interest rate.

Bankia also offers sustainable financing solutions tailored to the needs of micro, SME and large business clients. In 2019, the Bank signed various financing arrangements that encourage customers to achieve sustainable goals by including financial clauses linked to the achievement of specific sustainability targets or indicators. These clauses may grant customers improved borrowing terms if they successfully meet the objective set, or conversely penalise them with a higher interest rate if they fail to meet the terms of the objective.

The Bank also financed numerous investments in renewable wind, photovoltaic and solar thermal energy over the period under the project finance modality, in compliance with the Equator Principles, of which Bankia has been a signatory since 2018 and which are the international reference framework for financial institutions when assessing and managing the social and environmental risks deriving from project financing. The institution was also involved in underwriting the sustainable bond issuances of our customers and is an underwriting member of the ICMA Green Bonds Principles Network.

Overall, Bankia financed operations worth over EUR 900 million in 2019 in the form of corporate finance, project finance and developer finance, helping to mobilise sustainable financial resources of close to EUR 9,000 million.

For the corporate and SME segment, Bankia launched two new free digital tools in late 2019 through Solucion a Empresas, allowing companies to find out how energy efficient they are so they can then begin to optimise their facilities and become more sustainable; while also enabling them access to voluntary certification schemes in the realm of energy and environmental management. Solucion a Empresas also features a responsible management tool that lets companies find out how they perform when it comes to ESG aspects and identify possible areas for improvement.

Using these tools, companies can conduct a self-assessment to help them make decisions that will positively impact their performance in terms of energy savings, productivity and competitiveness, care for the natural environment, and ultimately improve their reputation.

Regarding savings and investment products, Bankia Asset Management (Bankia AM) offers pension plans and investment funds that incorporate ESG criteria, with a total of EUR 1,068.27 million in assets managed under these criteria.



#### d. Human rights

Bankia is firmly committed to sustainable development at both the business and social levels. Showing and enforcing respect for human rights is therefore part and parcel of the Bank's business and guides its relations with stakeholders. Bankia, as a provider of financial products and services, operates within the regulatory framework of human rights and complies with applicable international standards.

As a further show of this commitment and in line with the Code of Ethics and Conduct and the Responsible Management Policy, Bankia's Board of Directors approved a clearer and more descriptive policy in 2019 to provide added protection on the subject of human rights, superseding and replacing the existing policy. This policy is inspired by the premises enshrined in the UN Guiding Principles on Business and Human Rights and will be reviewed annually to keep it in line with the strategy and future needs of Bankia's business.

With this new control policy now in effect, Bankia has effectively defined its responsibilities in terms of:

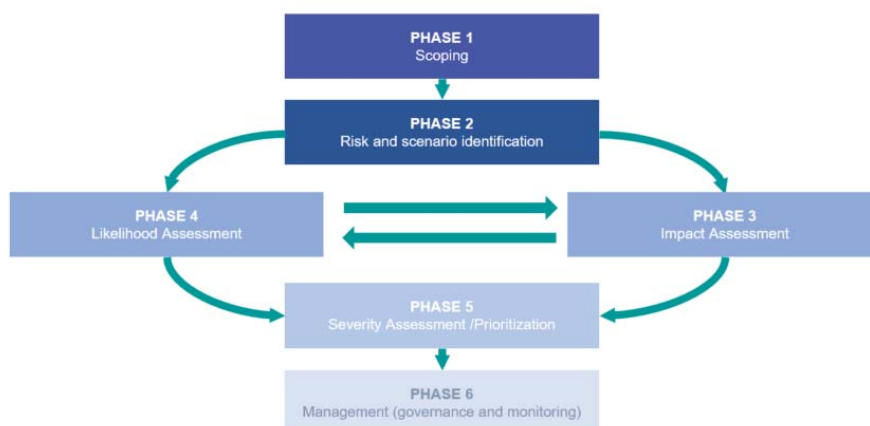
- Respect for human rights when dealing with employees, customers, suppliers and business partners and the wider community, through the implementation of prevention, communication and sanctioning mechanisms.
- Pledging its commitment to human rights, focused on:
  - Assessing and understanding the social and economic environment.
  - Recognising and respecting the identities of individuals and their communities.
  - Establishing a system of proactive dialogue with stakeholders.
  - Promoting knowledge and ensuring compliance with this commitment
- Conducting due diligence processes to identify and evaluate potential impacts; making the conclusions of the assessment processes part of internal processes so that appropriate measures can then be taken to prevent and mitigate possible impacts; monitoring and benchmarking the effectiveness of those measures; and, last but not least, disclosing the measures taken to the outside world.

In implementing the new Policy of Protection and Respect for Human Rights, Bankia is working to develop a due diligence process that will allow it to:

- Make human rights part of its risk management, decision-making and governance procedures, under the responsibility and with the full commitment of the senior management.
- Expand the scope of its existing due diligence procedures to embrace human rights issues.
- Track risks through relationships with customers, suppliers and business partners.
- Ensure transparency when it comes to the policies and procedures put in place to manage human rights risks across all the different areas and departments of the Bank by reporting on their performance.
- Involve and engage clients, companies within the sector and other stakeholders to share good practices, address common problems and offer real solutions.

This procedure will take the form of an analytical tool that will link or associate Bankia's processes and activities with potential risks in the realm of human rights and integrate current monitoring indicators under a single reporting system.

Bankia has split its human rights risk assessment process into the following stages:



This enables the Bank to delimit the risks and define the criteria to be used when evaluating, prioritising and managing the risks.

Bankia relies on guiding source material such as its Policy on Protection and Respect for Human Rights, as well as international conventions and frameworks for human, civil and political rights and international treaties, especially on labour matters, and has devised a process to identify those human rights it can positively impact and to generate a list of risks (and opportunities) for the Bank's various business units and corporate areas. This risk identification analysis factors in the risks inherent to the financial sector, along with Bankia's own risk profile and control environment, in aspects such as policies and plans, internal procedures, management indicators, training, communication channels and remediation mechanisms, in order to focus directly on the most severe and likely negative impacts as a priority.

Ultimately, this due diligence procedure helps prevent incidents from arising, while also ensuring that control mechanisms are in place and guaranteeing the proper management of opportunities for continuous improvement.

### e. People and talent management

Following the rapid and successful integration of BMN completed in the previous year, in 2019 the Bank's corporate Human Resources Department was restructured to embrace the cultural transformation the Bank is undergoing and introduce a much more agile and customer-centric organisation, while at the same time promoting the search for talent based on merits and increasing levels of aspiration and autonomy among teams.

With this restructuring now complete, among other changes, the Corporate Human Resources Department is now known as the Deputy General People and Culture Directorate, featuring two new directorates: the Agile and New Approaches to Work Directorate and the Strategy and Cultural Transformation Directorate.

Thanks to this transformation, the Bank has adapted its values and culture to this new reality, with the aspiration of "becoming everyone's favourite bank" and has reframed its values to bring them closer to how the bank and its employees relate with their stakeholders:

We show integrity – We conduct ourselves at all times in an honest and upright manner, both in external relations with clients and institutions and in our internal relations with everyone else at Bankia, in accordance with the principles enshrined in our Code of Ethics.

We are close to people – We are always attentive to the needs of our customers and everyone at Bankia and we communicate with all of them proactively, while keeping things simple, listening, talking and building relationships of mutual trust.

We are professional – We transparently apply the bank’s guidelines and regulations at all times in our dealings with customers, whether external or internal, placing their interests and those of the institution ahead of any personal interest.

We are passionate – We always deliver on our commitments to both customers and the entity itself and make every effort to achieve this.

We are bold – We embrace challenges and take positive action, undertaking new, ambitious and transformative projects that will allow us to flourish as individuals and as a Bank, to cater to the interests and needs of our customers in the best possible way.

We make things possible – We are both agile and efficient in seeking to achieve the objectives and goals we have set ourselves.

The main challenges of the year were therefore to support the cultural and digital transformation of the group by managing talent and diversity as the main drivers of change. Key projects carried out in the period included the following:

- Talent Review Group: in the second quarter of the year, our pre-picked talented staff group was reviewed and expanded in order to strengthen internal identification, development and succession processes. This process, which has been carried out jointly with the heads of each functional group at Bankia, has allowed us to broaden the organisation’s talent horizons to more than 1,200 employees.

- Mobilisation Plan and *Acelera* Plan: after identifying the Talent Review professionals, we made up the groups to take part in the Revitalisation and *Acelera* plans for talented professionals.

Both plans are there to support and enhance the professional development of the almost 600 people who make up both groups so as to ensure that the Bank has professionals who are ready to assume greater responsibility down the line. Note that the *Acelera* Plan is aimed exclusively at women.

Under the plans, subjects will work at other departments and areas of the bank while completing development workshops and internal tutoring given by senior Bank executives, who will help guide and steer the participants towards further professional and personal growth.

- Internal vacancies: a new process was launched in April to have internal vacancies posted through the Intranet so as to provide a closer and more transparent manner of announcing vacancies to the group’s employees.

This process opens up new development opportunities and allows us to harness the knowledge, skills and expectations of the people who make up Bankia. It is also a further step forward in the development of a meritocratic culture, while facilitating internal mobility.

A total of 400 vacancies were announced in 2019 (26% managerial and 74% non-managerial), distributed equally between the commercial network and central services. A total of 1,032 people applied for the positions. At year-end, 64.25% of the vacancies to have been published had been filled, while a further 16.5% were still under consideration.

- Communication systems: Workshops were held to analyse and improve the internal communication system by guaranteeing a proper flow of information and communication needed for the best possible performance and growth of the business and to make teams more engaged and committed by placing their work in a broader context and giving it meaning.

- Internal mobility: To achieve the best possible match between employee profiles and existing positions, a total of 3,366 changes of position were carried out during the year, both for non-managerial and managerial positions.

Employment indicators

Number of dismissals by gender, age and professional category

Gender	Headcount at 31.12.19	Headcount at 31.12.18
Men	6,834	6,771
Women	8,775	8,715
<b>Total Bankia</b>	<b>15,609</b>	<b>15,486</b>

Age brackets	Headcount at 31.12.19	Headcount at 31.12.18
Less than 30	159	38
Between 30 and 50	11,022	11,707
Over 50	4,428	3,741
<b>Total Bankia</b>	<b>15,609</b>	<b>15,486</b>

Country	Headcount at 31.12.19	Headcount at 31.12.18
Spain	15,603	15,481
China	3	3
Cuba	2	2
Morocco	1	0
<b>Total Bankia</b>	<b>15,609</b>	<b>15,486</b>

Pay Level	Headcount at 31.12.19	HEADCOUNT at 31.12.18
Executive directors	3	4
Management Committee	9	5
Level I to Level IV	3,425	3,439
Level V to Level VII	6,414	5,994
Level VIII to Level XIV	5,754	6,036
Other*	4	8
<b>Total Bankia</b>	<b>15,609</b>	<b>15,486</b>

\* According to the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018, this professional category covers employees holding positions or providing unskilled trade or speciality services not related to the financial business, lending, or any other specific activity of savings banks; e.g. concierge, surveillance, cleaning, telephone assistance, conservation and maintenance, and other similar services.

Types of employment contract at 31 December 2019

	Headcount at 31.12.19							
	Permanent		Permanent part time		Temporary		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Total Bankia</b>	15.608	15.485	1	1	0	0	15.609	15.486
<b>Percentage</b>	<b>99.99%</b>	<b>99.99%</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Annual average of permanent, temporary and part-time contracts by gender, age and professional category (to improve the quality of information and make further progress towards Spanish Act 11/2018, on non-financial and diversity information, the reporting criteria used in 2018 have now been modified).

Gender	Headcount at 31.12.19			
	Permanent	Permanent part time	Temporary	Total
Male	6,832	0	0	6,832
Female	8,662	1	0	8,663
<b>Total Bankia</b>	<b>15,494</b>	<b>1</b>	<b>0</b>	<b>15,495</b>
<b>Percentage</b>	<b>99.99%</b>	<b>0.01%</b>	<b>0.00%</b>	<b>100.00%</b>

Age	Headcount at 31.12.19			
	Permanent	Permanent part time	Temporary	Total
Under 30	134	0	0	134
Between 30 and 50	10,917	1	0	10,918
Over 50	4,444	0	0	4,444
<b>Total Bankia</b>	<b>15,494</b>	<b>1</b>	<b>0</b>	<b>15,495</b>

Pay level	Headcount at 31.12.19			
	Permanent	Permanent part time	Temporary	Total
Executive directors	3	0	0	3
Management Committee	9	0	0	9
Level I to Level IV	3,437	0	0	3,437
Level V to Level VII	6,408	0	0	6,408
Level VIII to Level XIV	5,633	1	0	5,634
Other	4	0	0	4
<b>Total Bankia</b>	<b>15,494</b>	<b>1</b>	<b>0</b>	<b>15,495</b>

Number of dismissals by gender, age and professional category

Gender	Permanent	Permanent part time	Temporary	Total
Men	146	0	0	146
Woman	116	0	0	116
<b>Total Bankia</b>	<b>262</b>	<b>0</b>	<b>0</b>	<b>162</b>
<b>Percentage</b>	<b>100.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Age	Permanent	Permanent part time	Temporary	Total
Under 30	132	0	0	132
Between 30 and 50	128	0	0	128
Over 50	2	0	0	2
<b>Total Bankia</b>	<b>262</b>	<b>0</b>	<b>0</b>	<b>262</b>

Classification	Permanent	Permanent part time	Temporary	Total
Level I to Level IV	7	0	0	7
Level V to Level VII	10	0	0	10
Level VIII to Level XIV	245	0	0	245
<b>Total Bankia</b>	<b>262</b>	<b>0</b>	<b>0</b>	<b>262</b>

Number of dismissals by gender, age and professional category

Gender	Disciplinary dismissal		Objective dismissal and other		Collective redundancy <sup>1</sup>	
	2019	2018	2019	2018	2019	2018
Men	20	8	19	3	0	1,268
Women	10	10	18	4	0	732
<b>Total Bankia</b>	<b>30</b>	<b>18</b>	<b>37</b>	<b>7</b>	<b>0</b>	<b>2,000</b>

1. In accordance with the Labour Agreement of 15/02/2018 on the collective redundancy procedure arising from the merger between Bankia and BMN, signed by Bankia and its worker representatives.

Age	Disciplinary dismissal		Objective dismissal and other		Collective redundancy <sup>1</sup>	
	2019	2018	2019	2018	2019	2018
Under 30	0	0	0	0	0	0
Between 30 and 50	21	11	19	5	0	355
Over 50	9	7	18	2	0	1,645
<b>Total Bankia</b>	<b>30</b>	<b>18</b>	<b>37</b>	<b>7</b>	<b>0</b>	<b>2,000</b>

Age	Disciplinary dismissal		Objective dismissal and other		Collective redundancy <sup>1</sup>	
	2019	2018	2019	2018	2019	2018
Level I to Level IV	6	5	13	2	0	805
Level V to Level VII	12	3	7	1	0	796
Level VIII to Level XIV	12	10	17	4	0	392
Other	0	0	0	0	0	7
<b>TOTAL BANKIA</b>	<b>30</b>	<b>18</b>	<b>37</b>	<b>7</b>	<b>0</b>	<b>2,000</b>

#### CULTURAL TRANSFORMATION AND ACTIVE LISTENING

In December 2018, all Bankia employees were asked to complete a culture survey, with almost 52% completing the survey (8,097 people), in order to listen and find out what aspects of our culture should be improved upon.

After analysing the overall results, they were presented to each of the corporate heads in relation to their specific areas of action, focusing particularly on how these results match Bankia's management style.

A number of further activities were carried out last year to explore critical aspects of Bankia's leadership model:

- Bankia Management Style Conference: Conferences were held in May and July to reflect on how our culture has evolved at the entity and how we transmit this culture through leadership. In November, an internal survey was launched to gauge changes in the management style at each department.

Within this wider process of cultural transformation, coaching has emerged as a key tool for turning managers into active leaders of change. In recognition of the activities carried out by Bankia in this area in 2018 and 2019, Bankia was awarded third prize for "Coaching Culture at the Company" by the Spanish Association of Executive and Organisational Coaching (AECOP).

- Management communication framework: In a bid to improve managerial communication across the institution's central services departments, a project to implement a management communication framework was launched in 2018. This project was carried out with the heads of the Deputy Directorate of Transformation and Digital Strategy and of the Corporate Directorate of Technology and Operations. In 2019, this framework was put in place at the Corporate Directorate of Legal Services and at the Deputy General Directorate of Finance. During all the actions undertaken in 2018 and 2019, personal interviews were held with 54 managers from the Top 300 group and 63 workshops were staged, involving a total of 538 people.
- Internal Recognition Programme: to make recognition part of the institution's day-to-day activities by valuing and appreciating its employees' work and sound management practices. Two main milestones were reached in 2019: delivery of awards and accolades by the Management Committee at various corporate headquarters and the introduction of a new category of recognition for the concept of Digital Partner, showing the importance of this function as part of the Bank's culture.
- Defining the Employee Value Proposition: A project has been developed as part of this process of cultural transformation to define the employee value proposition through various initiatives, but focusing on active listening to people. Numerous interviews and focus groups were arranged as part of the process of defining the value proposition, involving more than 100 employees from different areas and departments of the organisation, who came together to discuss and analyse best practices at top tier companies. The project was developed by an internal multidisciplinary team comprising people from different departments, using the Agile methodology.

The proposition has been structured around the following four pillars, which embrace all the benefits and are growing and expanding with the incorporation of the new initiatives to have been identified:

- “We reward your commitment”, with information on remuneration and employee benefits.
- “We support your growth”, with direct access to training, grants and scholarships, vacancies, etc.
- “We improve your well-being”, with information on health and wellness programs, vacations, leaves of absence, etc.
- “At our core”, with information on management style, code of ethics, diversity policies, responsible management.

The Employee Value Proposition was launched on the Bank’s Intranet in April 2019 and is available to all Bank employees at a specific site called ACTITUD Bankia.

Thanks to this initiative, Bankia was short-listed for an award under the Large Companies category at the International “Healthy Company” Awards organised by the Human Resources Observatory (ORH). The panel held a positive view of the Bank’s decision to include corporate welfare in its employee value proposition and of the activities carried out by the Bank in this direction.

## TALENT MANAGEMENT

The Talent Review process was a key highlight of Bankia’s talent management activity in 2019, with a total of 653 interviews conducted to help identify new employees eligible for the talent group.

Progress was made in managing internal diversity and in consolidating the achievements made in previous years.

The process of identifying and developing talented employees entailed 268 promotions in 2019: 38 within the top 300 group, 56 within the top 600, 108 branch managers and 66 deputy branch managers.

	2019	2018
No. of appointments to management positions filled internally	268	555
No. of employees promoted internally (men)	133	325
No. of employees promoted internally (women)	135	230

A total of 48 initiatives were carried out to foster and develop internal talent, involving a total of 1,018 participants, most notably:

- Senior Management Programme (SMP): The fifth edition of the program was held between May 2019 and February 2020 for the Top 300 group. A total of 305 people took part in the event. This edition focused on both strategic aspects —putting the customer at the centre— and personal aspects, such as offering new pathways to hone and develop and leadership skills.
- *Leading in Complexity*: two executives from the Top 300 attended the events staged in 2019 by the International Center for Leadership Development (ICLD) of the CEDE Foundation.
- Workshops on the culture of regulatory compliance: five workshops were held with the Top 300 in the first half of the year to further entrench a culture of regulatory compliance across the group. A total of 297 people took part in the events.
- “Take the Initiative” programme: leadership programme involving 20 female talent managers from the sales and central services network. Among the various initiatives planned, perhaps the flagship programme is the first edition of the Diversity Mentoring Program, in which 20 executives from the Top 300 also take part as mentors.
- Central services manager development programme: the seventh edition of the programme was completed in the last quarter of the year, involving 15 talent managers from various Bankia Group central services departments.
- Development programme for commercial network managers: two new calls for applications under the programme were announced in the fourth quarter, involving some 30 talent managers from the different commercial networks.



- Development programme for newly appointed commercial network managers: a new call for applications was launched in 2019 under this programme, in which 15 commercial network managers are taking part.
- Development programme for newly appointed central services managers: the first two calls for applications were announced in 2019 under this new programme, attracting some 30 managers from the group's different central services departments.
- Digital eSports development program: A total of 132 participants were given the opportunity to develop a variety of digital skills, including critical thinking, future vision, decision-making, confidence, drive, autonomy and communication. All this in an innovative and disruptive environment to take full advantage of the new digital technologies. Overall, seven new calls for Talent professionals were announced within the group: five for managers and three for executive-track juniors.
- *LideraT* workshops on digital change: continuing with the success of the workshops held in 2018, a fresh bunch of talented professionals joined the workshops in 2019, which focus on developing the skills needed to manage digital change. A total of five workshops were held for managers (54 participants) and five for executive-track juniors (59 participants).
- Development programme for executive-track juniors attached to the commercial network and central services: four new editions of these programmes were held during the period; two under the programme for executive-track Talent juniors from the commercial network (in which 30 people took part), and a further two calls for executive-track Talent juniors from central services (attracting a total of 32 people).
- Excellence Scholarships: continuing with the project that began three years ago, a total of 30 new Excellence Scholarships were awarded in 2019. With this program, Bankia is aiming to promote the Bank's digital transformation and to have people's positions and duties evolve in response to a constantly changing environment, in which adaptation and expertise play an increasingly important role. This initiative focuses on both the internal potential of the teams and their future career opportunities. Once again, the Bank received a large number of applications from excellent candidates, showing that the project has continued to generate considerable interest among employees.
- Bankia Dual Vocational Training Programme: Bankia remains the only financial institution to have its own Dual VT program, which has allowed it to onboard 42 students as customer managers, making this program one of the main sources used to channel talent into the commercial network. Some of these individuals already provide financial advice to customers as part of their professional development plan. On occasion of fifth Dual VT program to be held over the course of 2020, two new centres will be added to the scheme in the province of Castellón, where the program has been extended due to its success. Dual VT Bankia is a further show of Bankia's six year-long commitment to promoting education, in the conviction that only through training can we hope to forge a more socially cohesive society. This commitment is expressed through the Bank's support for vocational training and the dual function it plays, since it is the primary weapon for increasing the job prospects of students while making businesses more competitive.

#### 2019 TRAINING PLAN

Bankia has an annual training plan in place to steer and adapt employees' knowledge and learning about prevailing strategic needs and enable them to further their professional careers. The main aim is to help develop the knowledge, competencies and skills of participants through a continuous learning process that lets them swiftly adapt to change and grow and evolve in their jobs.

Upwards of 1.3 million training hours were given in 2019, more than 70% of which were completed using digital or blended channels and training resources that feature cutting-edge technology, such as webinars, microlearning and video learning.

	2019	2018
Annual investment in training (EUR million)	6.15	6.66
No. of employees to have received training	15,577	15,173
No. of training initiatives completed	1,135	1,092
% of online training to total training hours	77%	62%

#### *Average number of training hours*

	2019	2018
No. of training hours per employee	86	67.5
No. of training hours delivered to men	607,725	422,530
No. of training hours delivered to women	774,894	601,881
No. of training hours delivered to senior managers	5,773	10,653
No. of training hours delivered to middle managers	383,708	265,890
No. of training hours given to other employees	993,138	747,868

1. The breakdown of the hours of training by professional category is based on functional criteria, as the categories set out in the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018, which governs staff of Bankia, S.A., no longer applies to the Bankia Group.

#### Consolidating digital knowledge and skills

A wide range of hugely relevant initiatives were launched during the year in a bid to consolidate the digital knowledge and skills of all Bank employees.

#### Driving digital transformation

First and foremost, the Individual Digital Training Plan was launched during the period, aimed at all employees. As an initial step, this training involves a test of the subject's digital knowledge and skills, which allows us to offer fully customised training in response to the results obtained. Participants are then added to a 'gamified' training environment, which includes a collaborative learning community and a raft of online resources that respond to the needs identified during the knowledge test.

Another initiative that has been launched is training on "How to become a digital salesperson", aimed at 5,500 in-branch sales representatives. This training showcased the practical aspects of the digital transformation at Bankia and taught the digital behaviours that must now be put into practice in dealings with customers of the commercial network.

Meanwhile, a new edition of the Digital Talent Program was launched, aimed at 600 people from the Bank's central services divisions. The program aims to enhance their knowledge in specialised areas of the digital world, focusing on how that knowledge that can be brought to bear in the financial sector.

The Agile Methodology Training Plan was also implemented and is split into three modules:

- Core module: providing a general overview, this module has been made available to all Bankia employees to show them the main features and benefits of agile methodologies as a means of developing new ways of working.
- Specialised module: this technical training module is aimed at over 300 employees, enabling them to discover and explore the main drivers and pillars for working on Agile projects.
- Certification module: advanced training process that ends with a *Scrum Master* certification exam, effectively allowing the user to perform that role on Agile teams. A select group of just 15 people has been included in this module.

### Driving cultural transformation

A total of 44 management style conferences have now been held with the aim of fostering cultural transformation, involving upwards of 890 managers. All managers belonging to the same group have taken part in this training, making it a first for the Bank, allowing them to reflect together on how the culture has evolved and on how it is shaping the way they lead their teams.

Five leadership factors were discussed in depth during the event, all of which act as drivers to improve engagement: the importance of communication, recognition, fostering the involvement of employees, management style as a means of providing greater value to teams, and people development tools.

At the end of the conference, a joint action plan is drawn up for the group and an individual action plan drawn up for each manager on the factors they need to incorporate, strengthen or adapt in the way they lead their teams.

### Advisory services and marketing

Bankia training activities also focus on advisory services and product marketing. Here, the Investment Fund Advice programme has now been launched, aimed at all 2,589 of the Bank's financial advisers to make them more adept at providing advice on investment funds. As a new feature, theory-based sessions are complemented with gamification techniques, whereby participants learn about the process of giving advice on investment funds in a practical, hands-on scenario.

To support the agricultural business —a hugely important segment for the entity— a training process was deployed for managers of branches who handle this type of business. During this learning cycle, participants worked on their strategic key priorities, while also learning about new developments in risk management and bonus management and receiving guidance on how to deal with customers.

Meanwhile, more than 500 branch managers have now received training in the commercial management of micro-enterprises and self-employed customers, including practical case studies to improve the way they manage the needs of these segments.

Bankia training also focuses on commercial insurance. In 2019, a learning process was carried out to hone the skills of managers, assistant managers and SME managers in providing advice on insurance products.

### Risk management

Risk management is a key part of all financial activity, and risk decision training has been implemented to support best practices. This training, aimed at branch managers, covers the ten steps to approving an operation, ranging from basic concepts such as the purpose of the financing, the parties and collateral, to more advanced concepts such as means of repayment or impact on the portfolio.

A new and exciting initiative has been the launch of an advanced programme in recovery management, which comes with its own university qualification. The aim of this programme is to provide advanced education and high impact training for people who manage recovery processes at the Bank.

### Regulatory training

A number of training plans have been put in place in response to prevailing regulatory requirements on training, certification and re-certification. These plans account for a significant part of the total number of training hours delivered during the year. Key highlights in this regard include:

- Cycle to provide training and certification in financial advice to new groups of employees under the MiFID II Directive. A total of 2,700 employees took the certification exams during the year, having previously completed the training process.
- MiFID II re-certification process, in which more than 9,200 people completed the 30-hour training course.
- New 50-hour training cycle to cover new regulatory requirements following the entry into force of the new law on lending to real estate developers, involving some 2,500 employees.
- Training to cover new legal and regulatory requirements under the insurance mediation law. All employees attached to the commercial network took part in this specific training cycle during the year.

### Specific training for central services

Specific training and learning plans were also drawn up for the people attached to central services departments and units. These training plans are there to strengthen the technical skills and competencies needed for each group, combining them with transversal learning processes that are more geared towards reinforcing their personal skills.

All this training activity is complemented by our Excellence Scholarship Programme to support high-level specialised training.

### SELECTION

Most of the vacancies to have arisen at the Bank during the year were filled internally. However, the Bank's ongoing transformation —both in the digital realm and at an organisational and cultural level— sometimes requires it to bring in external talent to cover specific positions that demand a highly technology-based profiles (121 recruitments in the period, 19 of them for managerial positions). Meanwhile, to provide the entity with junior talent, a total of 141 commercial managers were added to the retail and business networks.

### EQUALITY AND DIVERSITY

On 19 July 2016, the Bankia Equality Plan was signed with the majority of the workers' representatives. The plan sets out the following objectives and measures for achieving equal treatment and opportunities among men and women, while eliminating all forms of gender discrimination:

- Transmit the governing principles of equal opportunities to all managers or heads directly or indirectly involved in decision-making on promotions through specific equality modules.
- Promote the effective enforcement of equality among women and men, guaranteeing the same opportunities for hiring and career advancement in the workplace and carrying out affirmative action measures to achieve this objective.
- Ensure that people management systems guarantee equality between men and women at all times.
- Raise awareness across the organisation about the measures available for work-life balance, so employees can make use of them, no matter their gender.

To accomplish these objectives, specific actions have been undertaken in relation to selection and recruitment, professional promotion, training and remuneration.

The Equality Plan also includes the pledge to promote further access to managerial positions by the most under-represented gender. The aim is to guarantee that at least 40% of new appointments to managerial positions through to 2020 are covered by persons of the most under-represented gender, thus ensuring that the promotion system does not discriminate against any segment or group on the basis of gender, but rather that the suitability of candidates for the position is assessed on the basis of their individual merits.

The Equality Plan also includes an annex titled Protocol on the Prevention of Workplace, Sexual or Gender-Based Harassment, which prohibits any action or conduct that might impair the dignity of any Bankia employee. This protocol extends to all premises and sites on which Bankia employees work. It also applies to employees of external companies subcontracted by Bankia and temporary employment agencies that assign workers to work on the Bank's premises.

Bankia insists that all staff members, particularly those who lead and manage work teams, disseminate and raise awareness of this protocol.

The active management of diversity at Bankia allows for more inclusive leadership. The Bank defends gender balance by raising awareness and involving both women and men in the promotion of equality, introducing the gender perspective into daily life, strengthening women's leadership during promotion processes, tutoring them to support their professional development and, in a nutshell, ensuring that both women and men enjoy a level playing field at the Bank and harnessing the capabilities, potential and talent of all employees.

As part of its ongoing commitment to closing the gap between men and women at different levels of management, Bankia's Management Committee approved the Gender Diversity Plan 2018-2020 with a twofold objective: firstly, to achieve a more balanced presence of women in managerial positions and secondly, to ensure sustainability in the mid run by implementing programmes to identify and develop talent.

The objectives and actions envisioned under the Diversity Plan are based on best practices and recommendations to improve gender diversity.

The plan monitors certain activity indicators, which will be used to assess progress in diversity management across the various people management processes (selection, identification and development of talent, training, etc.).

It also includes numerous initiatives whereby female employees can flag and analyse the barriers they themselves have encountered within the organisation, giving the Bank a permanent thermometer to gauge how its different actions are faring and to help design new ones.

The Bank works hard to implement real and effective measures that promote more inclusive leadership and allow women to access more positions of responsibility. Highlight actions and initiatives for 2019 include:

- Diversity Plan presented to the different corporate departments attached to the commercial network and central services (seven actions carried out in the last quarter of 2018 and 23 in 2019).
- Equivalency Program (launched in late 2018): milestones have been published internally over the course of a year on different topics related to diversity in a bid to raise awareness, generate debate and improve the Bank's position and awareness of the diversity paradigms currently existing within society, thus facilitating a change of habits and generating more tolerant, supportive and inclusive behaviours.
- Awareness workshops for people managers: three workshops on diversity and inclusive leadership were held in June, in which all people and talent managers took part due to their status as the main agents of cultural change. These events included the *Atrévete* (Dare to) and Inclusive Leadership workshops.
- *Atrévete* (Plan Acelera) and Inclusive Leadership workshops: plans aimed at talented professionals at the Bank to raise levels of awareness and reflect on diversity. A total of 14 *Atrévete* workshops were held in 2019, aimed exclusively at women and attended by 200 people, along with nine Inclusive Leadership workshops, with 125 male and female participants from all functional areas of the Bank.
- Working breakfasts and coffee breaks focused on diversity, held with women from the talent segment across different fields and functions: Four breakfasts held in the last quarter of 2018 and eight in 2019, with a total of 157 female participants.
- Internal document drawn up (in question and answer format) to raise awareness of diversity within the organisation.

Bankia also adhered to various external initiatives in 2019 to promote the subject of equality:

- Adherence to the Eje&Con code of good practices for talent management and to create more competitive businesses. This code was designed to provide Spanish companies with effective measures for becoming more competitive and improving their results. In doing so, they should rely on their available talent — drawing no gender distinctions— and by facilitating the access of women to senior management positions, management committees and boards of directors on a level playing field and in similar proportion to men. The Spanish Association of Female Executives and Board Members was set up in 2015 to make women more visible and grant them access to more senior management and board positions.
- Renewal through to 2021 of the Diversity Charter badge, promoted by Fundación Diversidad (Alares), which contains a set of fundamental principles on equal opportunity and anti-discrimination.
- 2019 Diversa Award handed to Bankia in recognition of its efforts in supporting and fostering diversity in all its aspects.
- Bankia joins *Closinggap – Women for a Healthy Economy*, a benchmark platform that analyses the economic and social opportunity cost of gender gaps, supported by eleven large companies, which between them have close to 900,000 employees worldwide. The platform was set up to explore the economic impact on society as a whole of the fact that women are not given the same opportunities and their talents are not fully harnessed.
- New 2019 Catalogue of Good Equality Practices, in partnership with the Woman's Week Foundation and the ECOFIN Forum. The only document of its kind in Spain on equality, setting out measures to improve and promote equality and encourage laggards to follow suit and embrace the concept.

- Signing of the #CEOPorLaDiversidad Alliance, promoted by Fundación Adecco and Fundación CEOE. This initiative is the first of its kind in Europe in expressing the commitment of the most senior corporate officers to becoming drivers of change and accelerating the implementation and development of diversity and inclusion policies.
- Forbes Women's Summit Forum: Bankia took part in the round table to discuss "Fostering female leadership and talent" at the third Forbes Women's Summit.
- Bronze Sponsorship of TEDxBarcelonaWomen 2019, held in December with the aim of empowering, connecting and making female talent more visible.

Percentage of people on the Bank's governing bodies and by professional category in each of the following diversity categories:

Gender	Workforce at 31/12/2019				
	Men		Women		Total
	No.	%	No.	%	
Professional category	No.	%	No.	%	Total
Executive directors	3	100.0%	0	0.0%	3
Management Committee	8	88.9%	1	11.1%	9
Level I to Level IV	2,231	65.1%	1,194	34.9%	3,425
Level V to Level VII	2,744	42.8%	3,670	57.2%	6,414
Level VIII to Level XIV	1,845	32.1%	3,909	67.9%	5,754
Other	3	75.0%	1	25.0%	4
<b>Total – Bankia</b>	<b>6,834</b>	<b>43.8%</b>	<b>8,775</b>	<b>56.2%</b>	<b>15,609</b>

Gender	Headcount at 31/12/2018				
	Men		Women		Total
	No.	%	No.	%	
Professional category	No.	%	No.	%	Total
Executive directors	4	100.0%	0	0.0%	4
Management Committee	4	80.0%	1	20.0%	5
Level I to Level IV	2,245	65.3%	1,194	34.7%	3,439
Level V to Level VII	2,585	43.1%	3,409	56.9%	5,994
Level VIII to Level XIV	1,926	31.9%	4,110	68.1%	6,036
Other	7	87.5%	1	12.5%	8
<b>Total – Bankia</b>	<b>6,771</b>	<b>43.7%</b>	<b>8,715</b>	<b>56.3%</b>	<b>15,486</b>

Age group	Headcount at 31/12/2019						
	Under 30		Between 30 and 50		Over 50		Total
	No.	%	No.	%	No.	%	
Professional category	No.	%	No.	%	No.	%	Total
Executive directors	0	0.0%	0	0.0%	3	100.0%	3
Management Committee	0	0.0%	4	44.4%	5	55.6%	9
Level I to Level IV	0	0.0%	1,690	49.3%	1,735	50.7%	3,425
Level V to Level VII	1	0.0%	4,063	63.3%	2,350	36.6%	6,414
Level VIII to Level XIV	158	2.7%	5,263	91.5%	333	5.8%	5,754
Other	0	0.0%	2	50.0%	2	50.0%	4
<b>Total – Bankia</b>	<b>159</b>	<b>1.0%</b>	<b>11,022</b>	<b>70.6%</b>	<b>4,428</b>	<b>28.4%</b>	<b>15,609</b>

Age group	Headcount at 31/12/2018						
	Under 30		Between 30 and 50		Over 50		Total
	No.	%	No.	%	No.	%	
Professional category / Gender	No.	%	No.	%	No.	%	Total
Executive directors	0	0.0%	0	0.0%	4	100.0%	4
Management Committee	0	0.0%	1	20.0%	4	80.0%	5
Level I to Level IV	0	0.0%	1,941	56.4%	1,498	43.6%	3,439
Level V to Level VII	1	0.0%	4,032	67.3%	961	32.7%	5,994
Level VIII to Level XIV	37	0.6%	5,729	94.9%	270	4.5%	6,036
Other	0	0.0%	4	50.0%	4	50.0%	8
<b>Total – Bankia</b>	<b>38</b>	<b>0.2%</b>	<b>11,707</b>	<b>75.6%</b>	<b>3,741</b>	<b>24.2%</b>	<b>15,486</b>

	2019	2018
Average age of the workforce	45 years-old	45 years-old
Average length of service	19 years-old	19 years-old

#### WORK-LIFE BALANCE AND MEASURES TO ENSURE A SUITABLE SHARING OF RESPONSIBILITIES BETWEEN BOTH PARENTS

Annual working hours are set out in the collective bargaining agreement, while internal labour agreements contain working hours by group.

Beyond the regulatory provisions in place to help ensure a healthy work-life balance among employees, Bankia has enabled a broad range of measures to improve the work-life balance and the sharing and balance of family responsibilities between parents. Specifically, Bankia employees may apply for the following types of leaves of absence and/or similar measures:

- Daily absence of one hour or reduction in working hours of up to two hours for a maximum of one month, with no reduction in salary, in the case of premature childbirths and children hospitalised at birth.
- 15 calendar days per year for hospitalisation of a child under 14 years of age. If this situation occurs during the maternity or paternity leave, the employee may take these days immediately after that leave ends.

- Extension of paternity or other leave other than that pertaining to the biological mother to 20 calendar days for the birth of a child with a disability equal to or exceeding 33%. Where the child's disability is 65% or more, the non-biological mother parent will be entitled to 30 calendar days of leave during the first 24 months of the child's life, starting from the date of birth or the date of the adoption or foster care ruling.
- Three business days for accident or serious illness, hospitalisation or surgery without hospitalisation that requires recovery at home affecting family members up to the first degree of consanguinity or affinity. This leave is extended by a further two calendar days if travel is required.
- Two business days for accident or serious illness, hospitalisation or surgery without hospitalisation that requires recovery at home affecting family members up to the second degree of consanguinity or affinity. This leave is extended to four calendar days if travel is required.
- Three business days for the death of any family member up to the first degree of consanguinity or affinity. If the workers need to travel for that purpose, this leave is extended by a further two calendar days.
- Two business days for death of a family member up to the second degree of consanguinity or affinity. If the workers need to travel for that purpose, this leave is extended to a total of four calendar days.
- Paid leave of 30 hours per year to accompany a child, spouse, mother or father, and registered domestic partner to medical appointments, medical treatments involving radiation, chemotherapy, dialysis or similar treatments and rehabilitation.
- Leave for infant feeding: Absence from work lasting one hour (which may be split into two fractions of one hour), or reduction in daily working hours of half an hour, or otherwise 10 calendar days off work to be taken immediately after the maternity leave ends, plus five calendar days off work to be taken within the first 12 months of life of the child, which may not be added to the previous leave.
- Leave to feed infants in multiple births: The leave or reduction in working hours may be replaced with paid leave of 20 calendar days to be taken right after the maternity leave ends, plus a further 10 business days to be taken over the first 12 months of life of the child, which may not be added to the previous leave. For the birth of three or more children, this leave is extended to 25 calendar days following on from the end of the maternity leave, and 15 business days to be taken over the first 12 months of life of the child, which may not be added to the previous leave.
- Unpaid leave of one week to one month to cover family needs, overseas adoption, or assisted reproduction techniques.
- Unpaid leave of one week to six months in the event of a serious accident or illness affecting family members up to the first degree of consanguinity or affinity.
- Unpaid leave of one week to six months in the event of the hospitalisation or palliative care of family members up to the first degree of consanguinity or affinity.
- Unpaid leave of one month to six months to complete higher education qualifications or doctorates.
- Unpaid leave of up to 10 days in the event of the serious illness of a spouse or registered domestic partner and children and family members up to the first degree of consanguinity or affinity.
- Reduction in working hours to care for children under the age of 12 or with a physical or mental disability from 1/8 to 1/2 of working hours. This 1/8 reduction may be accumulated in days. In these situations, the employee may ask the Bank not to consider the wage reduction due to the reduction in working hours when calculating that person's financial support, with Bankia undertaking to assess and study this on a case-by-case basis.
- Advance on holiday entitled for serious illness of a family member. In the event of the serious illness of family members up to the first degree of consanguinity or affinity, the employee may take up to five days of their holiday leave for the following year.
- Leave of absence to perform services to a renowned charitable organisation with a right to reinstatement on conclusion.
- During the first year of childcare leave, the employee may ask their employer to suspend payment of contributions for certain financial aid and maintain contributions to the pension plan, as well as childcare support and child education support.
- Flexible work start and end times for certain employee segments.
- Employees have access to the Virtual Classroom and training programmes while on leave for child or family care.
- In the event of temporary incapacity, the Bank makes up the difference to ensure that the affected worker receives 100% of his or her fixed annual remuneration during the first 12 months of their time off work, and 87.5% of their total annual remuneration from months 12 to 18.
- Solidarity support for victims of harassment and gender violence, who have priority when applying for transfers, working hour changes and leaves of absence. In addition, during the entire period of leave of absence or suspension of contract due to harassment or gender violence, the worker will remain entitled to the special financial aid stipulated in their contract



- Preferential treatment of transfer requests received from workers with children who have a disability of 33% or greater.
- Increase of 20% in the educational aid for disabled children aged under 23, and 10% increase for disabled children aged 23 years and over.
- Bankia, in partnership with Fundación Adecco, offers a Family Plan to all Bank employees. More precisely, the Family Plan is aimed at Bankia employees who have children with a disability (equal to or greater than 33%), offering them advice, guidance and a personalised support plan to maximise the development of the skills needed for the social and labour market integration of the disabled child.
- Bankia has launched a new suite of services aimed at people who work at the Bank, including their family members: Bankia *Facilita*. Through this service, Bankia employees and their family members can enjoy a wide range of benefits and support services, many of which are free or available at lower-than-market prices, 24 hours a day, 365 days a year, anywhere in Spain, notably: home help for housework following the birth of a child or otherwise, a personal manager, support with administrative processes, consultations on medication, second medical opinion, travel planning, or finding a nearby vet. In April 2019 Bankia received the Alares certificate and SRC badge as a "Socially Responsible Company with its Staff", in recognition of the numerous services the Bank offers to all employees and their family members.

#### Good practices for responsible and time-efficient management

Bankia has made available to all Bank employees, via the Intranet, a series of basic principles to help them better organise their work and which are essentially a set of good practices regarding the effective and efficient management of meetings, rational use of the corporate e-mail service and teamwork.

These good practices are embodied in three documents offering concrete proposals for action in three key areas:

- Effective meetings: with tips on how to manage meetings and optimise the time spent on them.
- Use of e-mail: with recommendations on the rational and responsible use of e-mail.
- Teamwork: with advice on how to ensure better collaboration and teamwork.

Bankia therefore offers its employees a whole host of useful recommendations to improve the working environment and so that they and their co-workers can optimise their time.

Digital switch-off measures are also being negotiated with the workers' representatives.

#### MEASURES TO INTEGRATE DISABLED PEOPLE AND ENABLE UNIVERSAL ACCESSIBILITY

All Bankia employees are given the technical and/or material resources needed for them to perform their jobs.

The Bank's exemption certificate awarded by the State Employment Service attached to the Spanish Ministry of Employment remains valid, showing that the Bank complies with the "alternative measures" provided for in article 2.1, sections a) and b) of Royal Decree 364/2005, of 8 April, governing exceptional alternative compliance with the reserve quota for disabled employees.

Bankia has devised a Family Plan as part of its pledge to reconcile the work and family life of disabled people. The plan is aimed at Bankia employees who have a disabled child (33% or more) and provides a fully customised programme to maximise their child's development and enable their social and labour market integration. Workers with disabled children are also entitled to a 20% increase in educational support until the child reaches 23 years of age, and a 10% increase from 23 years of age upward.

Bankia is acutely aware of the integration and accessibility of people with disabilities and therefore arranges the services of various special employment centres for the provision of various professional services.

Meanwhile, Bankia has material, technological and accessible devices in place at its branches and public support centres so that the disabled people are fully able to access the Bank's services.

Disabled employees	Headcount at 31/12/2019	Headcount at 31/12/2018
Disability >=33% and <65% with reduced mobility	8	7
Disability >=33% and <65%	162	156
Disability >=65%	13	17
<b>TOTAL BANKIA</b>	<b>183</b>	<b>180</b>

## REMUNERATION POLICY

Bankia has a remuneration policy predicated on complying with regulations and upholding the following principles:

- Balance of components of remuneration
- Orientation to results and recognition of excellence
- Strategy and timeframe
- Engagement of the Bank with shareholders and customers
- Simplicity of regulation and communication
- Risk and management
- Internal fairness
- External competitiveness
- Gender equality

Remuneration of each professional is for all their actions in performing their duties both within the Bank and at other group entities or investees. The components are as follows:

**Fixed remuneration.** This is the main component of total remuneration and is set on the basis of the level of responsibility, the function performed and the principles of internal fairness and external competitiveness.

**Variable remuneration.** Linked to additional or extraordinary contributions to the job, the amount of which will depend on the level of achievement of the targets set. Main features:

- It takes into consideration the overall earnings and results of the entity and of the unit to which the employee belongs and also an individual performance assessment, which all employees must undergo.
- Amounts are fully commensurate with the date of hiring, promotion or rotation, and the results achieved.
- No amounts of variable remuneration are guaranteed.

	2019	2018
Percentage of employees eligible to receive variable remuneration	100%	100%

The variable remuneration policy ensures that no conflicts of interest will arise that could hurt customers and compliance with rules of conduct for the provision of investment services, and prevents any incentives from inducing employees from placing their own interests (or those of the company) ahead of customers'.

In determining variable remuneration, employee performance assessments not only consider sales volumes, but also other qualitative factors; e.g. compliance with regulatory requirements regarding conduct, equal treatment of customers or customer satisfaction.

A review is carried out annually to ensure that variable remuneration does not limit Bankia's ability to maintain a sound capital base and safeguard the interests of shareholders, customers and other stakeholders.

### Remunerations

The following information was calculated taking headcount at year-end 2019 at Bankia and considering as annual remuneration, the fixed remuneration, the complementary pension contribution, and remuneration in kind received in 2019 and the annual and multi-year bonuses. To improve the quality of information and make further progress towards Spanish Act 11/2018, on non-financial and diversity information, the reporting criteria used in 2018 have now been modified.

Gender	Average remuneration in 2019	Median remuneration in 2019
Men	58,338	52,904
Women	48,032	46,168
<b>Total Bankia</b>	<b>52,543</b>	<b>49,106</b>

Age brackets	Average remuneration in 2019	Median remuneration in 2019
Less than 30	24,857	17,783
Between 30 and 50	48,654	44,975
Over 50	63,226	57,191
<b>Total Bankia</b>	<b>52,543</b>	<b>49,106</b>

Pay level	Average remuneration in 2019	Median remuneration in 2019
Management Committee <sup>1</sup>	588,989	569,886
Level I to Level IV	74,236	65,945
Level V to Level VII	52,349	51,602
Level VIII to Level XIV	39,018	38,525
Other	39,377	36,896

<sup>1</sup> Includes information on all members except for three members of the Board of Directors. As there is a woman on the Management Committee, no breakdown by gender is provided to protect the privacy of personal data.

	2019	2018
Average employee remuneration (excluding the total annual remuneration of the highest-paid individual)	52,543 €	51,862 €
Median annual total compensation for all employees (excluding the highest-paid individual)	49,106 €	48,426 €
Percentage increase in average annual employee remuneration (excluding the total annual remuneration of the highest-paid individual)	1.31%	1.25%
Annual remuneration of the highest-paid individual	770,000 €	800,000 €
Percentage increase in the annual remuneration of the highest-paid individual	0%	0%
Ratio of annual total compensation of the highest-paid individual to the median annual total compensation for all employees	15.7	16.5

Salary gap

The gender pay gap measures the differences between women's and men's salaries and is calculated as the difference between men's and women's salaries expressed as a percentage of men's earnings.

The following information has been calculated taking the headcount at year-end 2019 at Bankia and considering, as their annual remuneration, all fixed remuneration, complementary pension contributions and remuneration in kind received in 2019, plus annual and multi-year bonuses. To improve the quality of information and make further progress towards Spanish Act 11/2018, on non-financial information and diversity, the reporting criteria used in 2018 have now been modified.

Information on the gender pay gap is provided by job classification/professional category and in terms of average and median compensation.

Information for 2019:

Job / Professional category	Gender pay gap	
	Average	Median
Executive Director <sup>1</sup>	--	--
Non executive Director	0.0%	0.0%
Executives <sup>2</sup>	15.3%	8.0%
Others		
Level I - Level IV	7.4%	5.3%
Level V - Level VII	2.6%	1.4%
Level VIII - Level XIV <sup>3</sup>	2.3%	2.4%

1. Not applicable because all executive directors of Bankia are men.

2. Includes the compensation of members of the Management Committee who do not have a seat on the Board of Directors and branch office and central services managers, irrespective of their professional category as defined in the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018.

3. Includes all staff who do not perform executive functions and the category of "Other". According to the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018, this latter category covers employees holding positions or providing unskilled trade or speciality services not related to the financial business, lending, or any other specific activity of savings banks; e.g. concierge, surveillance, cleaning, telephone assistance, conservation and maintenance, and other similar services.

For information on the gender pay gap between similar or the same roles, Bankia has calculated an adjusted pay gap, understood as a linear regression model using only gender and similar or the same roles as the only variables. The result is a gap of 4.16%.

Information for 2018:

Professional Category	Male		Female		%Gap
	Average Age	Average Wage	Average Age	Average Wage	
Executive Director	65	675,000	-	-	-
Non executive Director	61	100,000	55	100,000	0.0%
Executives <sup>1</sup>	46	83,329	45	70,119	15.9%
Others	46	53,364	45	48,187	9.7%
Level I - Level IV	51	69,399	49	64,520	7.0%
Level V - Level VII	49	55,648	48	54,669	1.8%
Level VIII - Level XIV <sup>2</sup>	40	41,794	41	40,842	2.3%

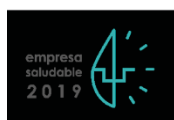
<sup>1</sup> Includes the compensation of members of the Management Committee who do not have a seat on the Board of Directors and branch office and central services managers, irrespective of their professional category as defined in the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018.

<sup>2</sup> Includes all staff who do not perform executive functions and the category of "Other". According to the Collective Labour Agreement for Savings Banks and Savings Financial Institutions for 2015-2018, this latter category covers employees holding positions or providing unskilled trade or speciality services not related to the financial business, lending, or any other specific activity of savings banks; e.g. concierge, surveillance, cleaning, telephone assistance, conservation and maintenance, and other similar services.

## HEALTH AND SAFETY

The Occupational Risk Prevention policy is approved by the Management Committee and updates to the policy are reviewed annually by the Deputy General Directorate for People and Culture.

The scope of the occupational health and safety system includes all activities aimed at reducing or controlling occupational risks. These activities come under the annual preventive activity programming, which is approved by the National Health and Safety Committee.



In 2019, Bankia received the "Healthy Company" runners-up award under the Large Companies Category at the international awards event staged by the Human Resources Laboratory (ORH), in recognition of the "Your well-being" programme, which was designed and deployed across the group to generate a healthy,

collaborative and open company culture fully aligned with corporate strategy.

A transversal working group was set up in a bid to unify all the initiatives emanating from the different departments and units of Bankia, operating under the premise of health as a lifestyle, endeavouring to change habits while treating the workplace as a health scenario. It would later evolve into a laboratory with the aim of becoming a tool to accelerate transformation. Known as Bienestar Lab, it provides space/time for experimenting and designing initiatives associated with indicators closely related to the Bank's Strategic Plan and where the impact on their degree of progress and permeability is continuously appraised.

## Bankia FACILITA

Another of these newer initiatives to have been launched in 2019 was the Bankia *Facilita* service in partnership with Fundación Alares. Through this initiative aimed at employees and their family members, the Bank is offering numerous free services to improve and facilitate its employees' day-to-day lives, improve their work-life balance and give them more free time. Further highlights include the special home help services and transfers for ill employees or those looking after a sick family member, all of which have been welcomed by employees.

Thanks to these initiatives, Bankia is generating a culture of internal wellness and is committed to shared responsibility between company and employee, as we continue to work towards their physical and emotional well-being.

## Key occupational health and safety indicators

	MEN		WOMEN		TOTAL	
	2019	2018	2019	2018	2019	2018
Number of hours lost to Absenteeism <sup>1</sup>	263,755	263,703	644,970	603,369	908,725	867,072

	2019	2018
Absenteeism rate	3.53%	3.24%
Work absenteeism rate	0.10%	0.17%
No. of instances of medical leave for non-work related illness	4,771	4,852

2019 <sup>2</sup>	At work		Travelling to and from work		Total
	Women	Men	Women	Men	
Type of accident with medical leave	15	1	51	13	80
	16		64		
Frequency rate <sup>3</sup>	0.62	0.04	-	-	0.66
	0.66		-		
Severity rate <sup>4</sup>	0.0166	0.0088	-	-	0.025
	0.025		-		
Occupational diseases	0	0	-	-	0
Work-related fatalities	0	0	0	1	1

2018 <sup>2</sup>	At work		Travelling to and from work		Total
	Women	Men	Women	Men	
Type of accident with medical leave	23	5	63	31	122
	28		94		
Frequency rate <sup>3</sup>	0.93	0.20	-	-	1.13
	1.13		-		
Severity rate <sup>4</sup>	0.020	0.007	-	-	0.027
	0.027		-		
Occupational diseases	0	0	-	-	0
Work-related fatalities	1	0	0	0	1

<sup>1</sup> Non-work related contingencies and occupational accidents

<sup>2</sup> Accident figures do not include relapses from previous years.

<sup>3</sup> The number of accidents at work is during working hours (excluding *in itinere*). When calculating hours worked, the effective working hours during which the workers in question were "exposed to the risk" of suffering an occupational accident are included. Hours not worked due to medical or other leave, holiday, absenteeism, and so on, are excluded from this calculation. Overtime also counts towards total hours worked.

$$I_f = \frac{\text{No. of work-related accidents with medical leave} \times 10^6}{\text{No. of total hours effectively worked}}$$

<sup>4</sup> Lost hours (working days) between the medical leave start and end date are counted.

$$I_g = \frac{\text{No. of days lost due to work-related accidents} \times 10^3}{\text{No. of total hours effectively worked}}$$

LABOUR AGREEMENTS, COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

Bankia maintains ongoing and smooth dialogue with worker representatives, signing a host of labour agreements on matters affecting employees in areas outlined in legislation and others considered important by the Bank and unions for both the business and working environment.

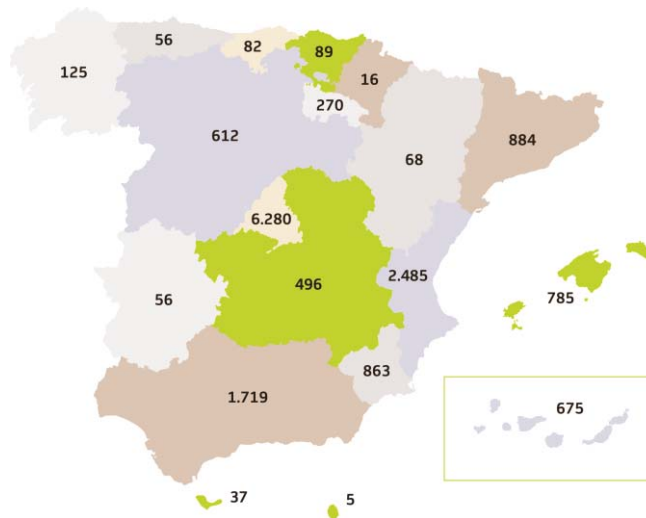
Bankia supports the right to freedom of association and collective bargaining. The institution respects the right of all workers to form and join a trade union of their choice and exercise union activity within the company, which seeks to eradicate all forms of discrimination towards employees who engage in such union activity.

Bankia also guarantees enforcement of the Spanish Freedom of Association Act (Ley Orgánica de Libertad Sindical) through its own labour agreement, the provisions of which guarantee the effective right to freedom of association of worker representatives and are actually an improvement on the protection provided for at law.

KEY PEOPLE INDICATORS

Workforce profile

Geographic distribution of Bankia employees



	2019	2018
Total number of people who work at Bankia S.A.	15,609	15,486
No. of people working in Spain	15,603	15,481
No. of people posted abroad (representative offices in Cuba, Shanghai and Casablanca)	6	5

Distribution by business and management performance

	2019	2018
No. of business employees	13,355	13,358
No. of central services employees	2,254	2,128

	2019 <sup>1</sup>		2018 <sup>1</sup>	
	Number	Percentage	Number	Percentage
Employees with management functions (women)	1,721	42.68%	1,788	42.76%
Employees with management functions (men)	2,311	57.32%	2,393	57.24%

<sup>1</sup> Includes heads of Central Services and managers and deputy managers of the commercial network.

Working conditions

	2019	2018
Percentage of workforce covered by a collective agreement	100%	100%
Percentage of professionals with an open-ended contracts	100%	100%
Percentage of professionals entitled to receive variable remuneration	100%	100%
No. of professionals working flexible hours	7,440	7,226
Percentage of employees represented on safety and health committees	100%	100%
No. of elected union representatives	477	468
No. of hours dedicated to union activity by affiliated employees	54,955	146,760

Employee benefits

	2019	2018
Percentage of professionals who receive a contribution from Bankia to the employee pension plan	99.97%	99.97%
No. of employees and family members (spouses or partners and children up to 25 years of age) covered by the employee health insurance policy	28,046	30,053
No. of employees with advances, loans and/or mortgages subject to subsidised interest rates during the year	13,357	14,752

	Employees		Amount (EUR million)	
	2019	2018	2019	2018
No. of professionals receiving study grants/aid	406	319	0.31	0.27
No. of professionals who receive educational support for disabled children and children who sleep away from home	914	962	0.97	1.01
No. of professionals who receive grants for children's schooling	10,804	11,657	10.61	10.92

	2019	2018
No. of professionals on leave of absence for personal reasons	85	74
No. of professionals to have taken maternity leave	387	456
No. of professionals to have taken paternity leave	192	241



Unwanted external churn

	2019	2018
Unwanted external churn rate	0.83%	0.64%

*By gender*

	2019	2018
Percentage of unwanted external churn: men	0.51%	0.36%
Percentage of unwanted external churn: women	0.32%	0.28%

*By age*

	2019	2018
Percentage of unwanted external churn: under 30 years-old	0.08%	0.01%
Percentage of unwanted external churn: 30 to 50 years-old	0.47%	0.48%
Percentage of unwanted external churn: over 50 years-old	0.28%	0.15%

## f. Responsible purchasing

Bankia's Board of Directors has approved a Purchasing Policy, which is inspired by and rooted in the principles of independence, transparency, ethical and responsible conduct, objectivity and diversification as the Bank seeks to generate balanced and sustainable wealth, well-being and efficiency, among other goals.

Bankia's global purchasing model is there to assess and control any risks that may arise from our supply chain and is based on the following Responsible Purchasing Principles:

1. Ensuring the continuous improvement of the supply process, based on the principles of corporate responsibility.
2. Stimulating demand for socially responsible products, services and projects.
3. Establishing a single purchasing procedure for all Bankia Group companies, while optimising the impact of its purchasing decisions on the local communities in which the Group operates.
4. Providing complete, accurate and transparent information on the Bank's purchasing process.
5. Ensuring that all stakeholders comply with applicable legal requirements when it comes to human rights, labour and the environment and getting them involved in the fight against corruption.
6. Ensuring that the process of selecting and arranging the services of suppliers complies with internal regulations in effect from time to time and, in particular, with the values enshrined in Bankia's corporate culture, management style and Code of Ethics and Conduct.
7. Monitoring suppliers with which Bankia has dealings to verify compliance with CSR commitments.
8. Raising awareness of CSR (regulations, dissemination, training) among all parties involved in the purchasing process.
9. Ensuring that the Responsible Purchasing Principles are consistent with Bankia's other policies.
10. Working alongside suppliers in developing the economic, social, environmental and good governance side of their business and helping them improve their performance while ensuring full compliance with these principles.

The Purchasing Policy and Responsible Purchasing Principles apply to all Bankia Group companies and employees, especially those involved in the procurement of goods and services.

Aside from its own Code of Ethics and Conduct, Bankia has a specific set of rules of conduct for the purchasing function, based on the rules of the International Federation of Purchasing and Supply Management.

These rules are rooted in the principles and values of loyalty and honesty, objective decision-making, transparency and equal opportunities, confidentiality, integrity, independent relations and corporate social responsibility, among others.

Supplier approval

Suppliers must be approved before entering into a business relationship with Bankia. Certain suppliers may be exempt from this requirement, such as those included on the Forbes 2000 ranking and whose quality is therefore certified, or suppliers who are used only occasionally for non-material transaction amounts.

The assessment process includes ethical, social and environmental performance, with priority given to suppliers that meet the highest standards and practices of responsible management.

We require our suppliers to comply with the laws and regulations prevailing wherever the bank operates. We place value on suppliers' alignment with the principles of the UN Global Compact, the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organization (ILO).

We therefore give a higher score to suppliers who show a genuine commitment to their employees, quality, the environment and human rights. Meanwhile, we avoid dealing with suppliers who break the law or fail to meet their tax, employment, environmental or employee obligations.

The certification process assesses economic, social and environmental risks and suppliers must achieve a satisfactory economic risk score and provide all the information required of them.

Supplier profile*Approved suppliers*

	2019	2018
Total number of active suppliers	2,132	2,768
Total number of assessed and approved suppliers	896	792
No. of active approved suppliers in Spain (local scope)	1,927	2,576
No. of active approved suppliers outside Spain (outside local scope)	205	192
No. of new suppliers incorporated	203	231
No. of suppliers approved under CSR criteria	571	1.12
Percentage of new suppliers approved under CSR criteria	23.65%	-
No. of suppliers carrying ESG risk	26	26

*SME suppliers*

	2019	2018
Total number of active suppliers that are SMEs	1,569	1,831
No. of active SME suppliers in the Bank's main areas of activity	1,310	1,509
No. of active SME suppliers outside the Bank's main areas of activity (54 national and 205 foreign)	259	322

*Active national suppliers by sector*

	2019	2018
No. of active suppliers in the legal sector	148	143
No. of active suppliers in the real estate/construction sector	142	350
No. of active suppliers in the general services sector	211	251
No. of active suppliers in the associations, groupings and NGO sector	146	118
No. of active suppliers in the IT sector	279	230

No. of active suppliers in the consulting, auditing and advisory services sector	188	185
No. of approved suppliers active in other sectors (advertising/marketing, financial and banking, financial reporting services, etc.)	1,018	1,299

### Supplier relationship model

As part of its ongoing transformation, Bankia is developing a digital relationship model with its suppliers to generate transparency, fairness, equal opportunities and active listening.

Bankia's Supplier Portal is a collaborative and easy-to-use online environment whereby suppliers can securely provide all the information required by Bankia during the supplier approval process. In the interests of transparency, suppliers are able to view their score or rating, which is automatically awarded based on the information they provide. Suppliers can also use this portal to take part in various negotiation processes, ensuring ensure equal opportunities in the bidding process.

As part of the purchasing process, suppliers can sign contracts and issue their invoices online, while also having a useful platform for approval and negotiation.

	2019	2018
Total invoicing (total purchasing volume) (EUR million)	828.79	1,198.3
Invoicing with national suppliers (local scope) (EUR million)	792.74	1,158.8
Invoicing with foreign suppliers (outside local scope) (EUR million)	36.05	39.5
Average supplier payment period	9.44 days	8.88 days
Percentage of invoices paid within the maximum legal period (30 days)	98.66%	97.07%

Bankia also provides its suppliers with various tools to find out what they think about their relationship with the Bank. Suppliers can use the confidential Whistleblowing Channel (managed by an independent third party) to report suspected breaches of the Bank's Code of Ethics and Conduct.

They can also approach the Supplier Service Department to file grievances and complaints, make claims or suggestions in relation to the payment of invoices and the provision of contractually agreed services, and voice their disagreement with supplier selection processes.

Meanwhile, satisfaction surveys, which are summarised in the Supplier Perception Study, are used to gather the opinions of both suppliers that have been awarded contracts and those that have not, assessing aspects such as friendliness, the negotiation process, flexibility in ordering, and fulfilment of payment obligations.

	2019	2018
Supplier satisfaction index (with a score above 7 in the satisfaction survey)	81.6%	88.30%

### Best practices

In 2019, Bankia successfully renewed its certification under UNE 15896, illustrating the excellence of Bankia's procurement management system and demonstrating that it is in line with best business practices at European level.

Bankia was the first financial institution to obtain this supranational certification, which sets a standard for continuous improvement, minimises risks and ensures that sustainability is taken into account in procurement management.

In 2019, Bankia held its Suppliers Day for the four year in a row, which was attended by some 300 suppliers. Bankia uses initiatives such as this to convey its commitment to its suppliers as it aims to build a relationship based on communication and involve the value chain in its plans for the future.

Bankia also sponsors and collaborates with the Spanish Association of Purchasing, Procurement and Supply Professionals (AERCE), which seeks to transmit, publish and share knowledge and conduct valuable research in the realm of corporate purchasing.

In 2020, the Bank plans to renew its UNE 15896 assurance for purchasing and to stage Supplier Day 2020, while continuing to implement continuous improvements aligned with best management practices within the industry and building relationships of trust and transparency with its suppliers.

**g. Transparent communication**

Bankia is acutely aware that the complex landscape in which it operates requires solutions, initiatives and commitments that must be addressed through joint dialogue with its various stakeholders.

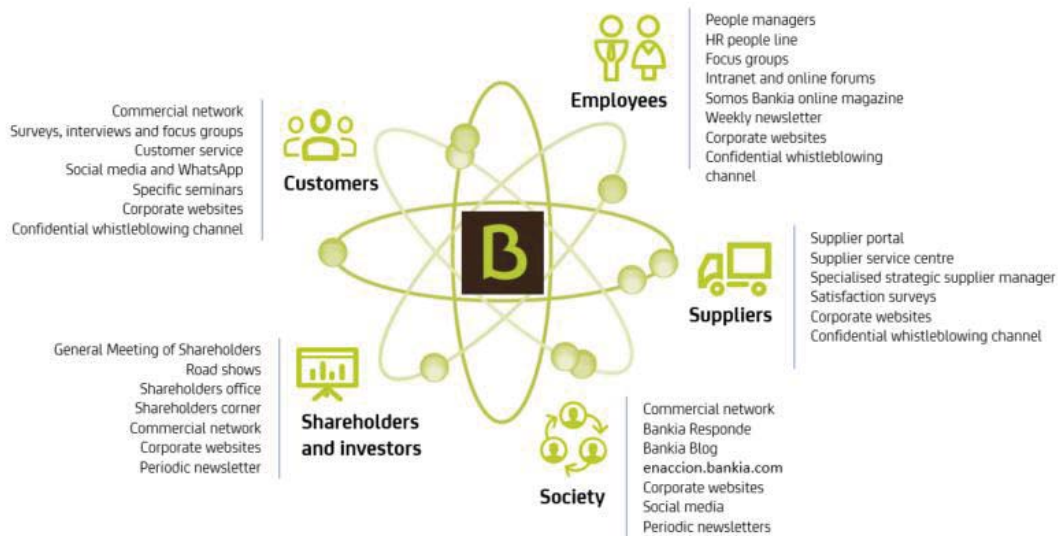
In this task, transparency is a key requirement in enabling the relationship with stakeholders to develop and take shape on an equal footing. For Bankia, transparency is a permanent commitment and attitude ultimately there to provide reliable, truthful, clear and up-to-date information that ensures accountability and shows that the Bank practices what it preaches. This has the effect of building solid and lasting relationships of trust with stakeholders.

This transparency requires the Bank to maintain constant dialogue tailored to each stakeholder so that the parties can find solutions suited to their mutual needs.

Bankia faces its challenges with the full support of its stakeholders and builds relationships of trust by relying on dialogue as a proactive mechanism to help improve strategy and operational excellence, undertake innovative initiatives and strengthen alliances.

To this end, Bankia has different communication channels in place for interacting with stakeholders:

**STAKEHOLDER ENGAGEMENT**



**5. CUSTOMER FOCUS**

**a. Responsible marketing**

Customers are Bankia’s main asset and forging lasting relationships with them based on mutual trust is of paramount importance to the Bank. With this in mind, not only does Bankia comply with current law and regulations on the marketing of banking products and the supervision and control of regulatory bodies, it also seeks to strengthen this bond of trust with customers through the excellent commercial demeanour and conduct of all Bank employees. This approach is embodied in Bankia’s internal regulations and is compulsory for all people who make up the Bank. This commitment to responsibility with customers is enshrined in Bankia’s Code of Ethics and Conduct, in its Responsible Management Policy and in its Code of Responsible Marketing, which explains how these behaviours should manifest in a tangible way in the Bank’s

day-to-day operations. The Bank must strive to offer and market products and services that are suitable for each customer profile and tailored to their needs, with customer satisfaction remaining a priority indicator and a product of responsible action.

#### CUSTOMER-CENTRIC APPROACH

Customer satisfaction is one of the strategic pillars of the 2018-2020 Strategic Plan. Accordingly, the Bank puts great effort into learning customers' opinions and implements measures to improve their opinion and loyalty and ensure positive word of mouth.

More than 300,000 customer surveys were conducted in 2019. The feedback received will ultimately allow the Bank to improve the customer experience at key moments in their relationship with the Bank.

This information also allows the Bank to launch unique initiatives aimed at each customer segment: young people, high-income customers, private banking, SMEs, micro-enterprises, etc.

Making technology part of the relationship with customers and in gauging their opinions is an immensely useful tool in ensuring agile and immediate communication with them. Using mobile phones to provide and store assessments and opinions made by customers allows for an almost entirely online management of any incidents that may arise, in that the Bank is able to immediately contact a customer who has given a low score. This early management of alerts has led to a significant increase in the positive assessment of customers, who appreciate the Bank's proactive management and willingness to listen.

Digitisation permeates all areas of the organisation and all relevant quality information is available in the Digital Quality Scorecard, which is enriched every year with new studies and reports. The information that can be viewed in this scorecard is both quantitative and qualitative, so that we can analyse not only what customers say but, above all, *how* they say it.

In 2019, Bankia was the top ranked entity in its industry in the mystery shopper ranking, outperforming all its main competitors. The results showcase the high standards of quality offered by Bankia (source: EQUOS STIGA 2019).

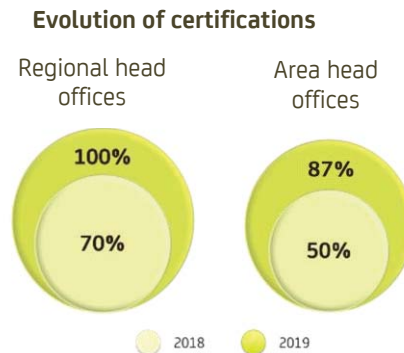
	2019	2018
Retail customer satisfaction index	90.3%	86.9%
Business customer satisfaction index	94.7%	94.7%
"Connect with your expert" customer satisfaction index	92.2%	93.1%
No. of customers to have taken part in all surveys	284,288	262,990
No. of after-sales product surveys	61,169	65,388
Overall mystery shopper rating	8.28	7.79

#### CUSTOMER EXPERIENCE

Customer experience and quality relations are core aspects supporting Bankia's position, which champions behaviours that entrench and strengthen corporate values and culture and takes regular measurements to ensure satisfactory customer experiences across all channels. The main focal points here are:

##### Customer Experience Certification Program

For the third straight year, Bankia has differentiated itself from its banking peers by certifying its employees in customer experience, a model that extends across all the Bank's business departments and focuses on two central pillars: intensity and perception. Both elements are key to a sustainable business model that will enable record highs in terms of customer perception.



Training in customer experience management continued over the period at the Lasalle IGS Business School. More than 150 managers have already obtained this certification. The training also serves as an innovation laboratory for new projects related to customer experience and employee experience, some of which have already become a commercial reality.

#### Improving the internal customer experience

Various departments and areas of the Bank are involved in internal customer experience, notably Risks, Bancassurance, Legal Advisory and Private Banking, to better understand the internal customer in the context of their job and to respond to their main needs. This has generated an exponential improvement in internal customer satisfaction.

#### Segments, services and priority activities

The Customer Experience and Quality of Relations Department is actively involved in numerous forums in the realm of customer experience, notably DEC (Association for the Development of Customer Experience) and AEC (Spanish Association for Quality). In April 2019, Bankia opened its doors to the “Brands that Inspire” event, an AES initiative providing first-hand knowledge about success stories involving leading companies, including Bankia, in relation to customer experience.

For the third straight year, Bankia was one of the star performers at the III *EMO*tional Friendly Banks Awards held by Emo Insights International, which named it the bank to have earned the largest number of fans in the last year. This award reflects our success in becoming everyone’s preferred bank, since the positive emotional impact on customers generates positive word of mouth and makes them influencers, opinion leaders and an important driver of growth.

Bankia has easily seen the highest growth in the EMO INDEX indicator of any financial institution over the last four years. This is undoubtedly the result of our commitment to placing the customer at the heart of everything we do.

#### Systematic sales approach

The systematic sales approach during the period focused on developing and implementing a diagnostic and work model to ensure standardised commercial activity and to develop and hone capabilities. This has been key in a number of fundamental aspects, including the task of applying the relationship model and management models.

Highlight projects in 2019 undertaken alongside the Customer Experience and Relational Quality department included:

- Increasing customer digitisation, driven by the growth in the concept of digital employee within a gamified environment.
- Optimisation of the mortgage commercial process.
- Diagnosis and analysis of commercial processes at specialised businesses such as Agro and Recoveries to standardise processes and make them more efficient.
- Improvements to the insurance marketing process by implementing a standardised commercial management model for Bancassurance.

- Implementing the commercial system for the business with the aim of achieving a clear, systemic and consistent commercial management model.

#### Business intelligence

To grow the business, Bankia must continue to improve its analytical capabilities in carrying out accurate customer segmentation so that it can detect their needs at key points in their life and tailor its products and services accordingly based on their social and economic circumstances.

The Bank is also working to develop and improve the process of arranging products and services leading up to the time of sale, by making its products and services available through the customer's choice of channel and improving the customer experience within the multi-channel commercial relationship.

Bankia plans to have more than 50 processes up and running by 2020, focused on the products that provide the most value to customers and the Bank. The Bank has also been applying the Agile methodology, which allows products to be designed and launched within a suitable time frame in response to prevailing market demand, thus ensuring excellent results. This is a pioneering project in terms of analytics applied to commercial action.

Bankia has also continued to detect events in the life of its customers that will allow it to respond commercially and financially in real time (or in a very short period of time) to all any needs they may have. This includes detecting customers who, based on one or other transaction, seem to require financing, so that the Bank can offer the best product to cover that need. Upwards of 150 events have already been spotted. Thanks to all this heavy analytical work, the Bank is able to offer all its customers a product that meets their needs as and when they need it.

Meanwhile, progress continues to be made in developing activities to provide a 360° vision of the customer, which will further improve the customer experience in their interactions with Bankia across all channels.

#### CUSTOMER SERVICE

Bankia has a Customer Service Policy in place (approved by the Board of Directors), which is there to foster a healthy relationship with customers, maintain their trust and offer them appropriate levels of protection by handling and resolving grievances and claims in the most satisfactory manner possible.

For Bankia, customer protection and a fully-fledged grievances system are both essential preventing, detecting, correcting and minimising any risk of non-compliance with the Bank's obligations.

The Customer Service Policy is based on a set of principles fully aligned with the Bank's values. These principles guide and steer the actions of the Customer Service Department to ensure a responsible management model, based on the independence of the Bank's other services, including a single criterion and approach for reaching decisions, legal compliance, efficient management, objective decision-making, mandatory compliance, and full cooperation.

Bankia has one bank-wide Customer Service Department. It deals with grievances and claims submitted by any natural or legal person in relation to the services provided by the Bank or its member companies, so that they can be resolved in full compliance with applicable law and regulations.

In particular, the department must: verify compliance with the duty to disclose information to customers on the existence of the customer service department, on the relevant deadlines for issuing a decision on grievances and claims and on providing forms so that users can submit their claim in the first place; ensure that claims and grievances are submitted, processed and resolved in accordance with the department's rules and regulations; and ensure that deadlines are met and that the necessary information and documentation is duly provided on how customers can submit their claim or grievance to the relevant supervisory body, including how the matter is then handled and resolved.

The main initiatives and projects undertaken by Bankia's Customer Service Department in 2019 were as follows:

- continuing to shorten response times in accordance with applicable law and regulations and improving average times to resolution;

- implementing actions to reduce the volume of grievances and claims following the integration of BMN;
- continuously reviewing procedures for handling grievances to ensure more consistent and reliable decisions and closer empathy for the customer's stance;
- implementing training actions related to legislative and case law changes.

The department aims to continue making IT enhancements to respond to the needs and preferences of digital customers and to improve communication models with internal and external customers in the interests of information transparency, among other objectives.

In 2020, the Customer Service Department will have to contend with new changes and developments in the case law, possibly including retroactive decisions on consumer contracts and regulatory changes pending approval.

Bankia views these challenges as an opportunity to improve the perceived quality of treatment that the Bank offers in the eyes of its customers. Highlights here include the implementation of various recommendations received through the Customer Service Department on matters such as information transparency (such as incorporating documentary accreditation of preliminary information on signing the digital tablet), the implementation of communications to customers on the preventive measures in place to avoid fraud in payment services, or improvements in the treatment of physical documentation.

	2019	2018
No. of complaints received from customers	43,206	54,366
No. of complaints accepted for investigation	41,304	51,823
No. of complaints resolved in favour of the customer	16,756	15,203
Total compensation paid for customer complaints (EUR million)	5.1	6.3
Average response time for accepted customer complaints	9.46 days	19.8 days

## b. Business model

Bankia's business model reflects its strategic priorities, with the customer at the heart of the business. The priorities of the business model are improved positioning based on active listening, enhanced processes to provide an unrivalled response to the needs of customers and constant adaptation of distribution models to provide the best possible service.

People and technology are the pillars of the business and customer satisfaction is our key management objective in differentiating Bankia from its peers within the financial system.

Bankia's distribution model reflects its focus on customer needs, where digitisation and innovation are making services and products increasingly accessible, more agile and easier than ever to use. Only through technology can we achieve the high levels of efficiency needed to ensure excellent and sustainable service.

Bankia's distribution network is a multi-channel model that features a mixed system of face-to-face and remote service and support, allowing the Bank to constantly adapt to changing customer behaviours, depending on how they want to relate with their bank. The distribution model is flexible, quick to respond and personalised, allowing each customer to maintain the same contact person for all their affairs. Extending the use of digital media among customers is one of the objectives of the 2018-2020 Strategic Plan.





Bankia’s business model is structured into seven main lines of business:

- Retail Banking
- Bankia Private Banking
- Corporate Banking
- Business Banking
- Bankia Asset Management
- Bancassurance
- Real Estate Assets

STRUCTURE AND BUSINESS MAP

Total turnover

	2019	2018
Total market share in Spain <sup>1</sup>	9.97%	10.12%

<sup>1</sup> Figures for September 2019. Source: Bank of Spain

*Market share by autonomous region<sup>1</sup>*



<sup>1</sup> Figures for September 2019. Source: Bank of Spain

*Market shares*

	2019	2018
Branches <sup>2</sup>	9.15%	8.69%
Mortgages	12.46%	13.23%
Loans to households	10.91%	11.47%
Household deposits	11.01%	11.22%
Card turnover <sup>2</sup>	11.79%	11.29%
Mutual funds	7.05%	6.55%
Individual pension plans	7.93%	8.17%
Risk insurance <sup>2</sup>	6.56%	6.53%

<sup>2</sup> Figures for September each year. Source: Bank of Spain, Inverco and ICEA

*Physical branches*

	2019
No. of universal (traditional) branches	1,656
No. of perimeter branches	374
No. of agile branches	125
No. of recovery centres (specialised in defaults and late payments)	29
No. of business centres	65
No. of Corporate Banking centres	3
No. of Private Banking branches	16

*Multi-channel*

	2019
No. of Bankia Online users	3,217,298
No. of transactions completed through Bankia Online <sup>1</sup>	26,971,084
No. of business Internet users	191,190
No. of app users	2,881,310
No. of transactions completed through the Bankia app <sup>1</sup>	32,147,738
No. of <i>Conecta con tu Experto</i> branches	61
No. of <i>+Valor</i> branches	13

1. More complete information is provided for 2019: equivalent to the volume of transactions completed for operations tagged in BOL, which are those that can be monitored through web analytics.

## ATM network

	2019
No. of ATMs	5,361
No. of modernised ATMs installed during the year	358
No. of transactions completed through ATMs	268,454,631
No. of ATMs featuring NFC technology	4,494
No. of accessible ATMs (audio system)	5,080
No. of ATMs in sparsely populated areas	535

## RETAIL BANKING

Retail Banking offers a wide range of borrowing and lending banking products under a universal banking model. It encompasses retail banking activity with individuals and legal persons with annual income of less than EUR 6 million. It aims to achieve satisfaction and loyalty among customers, providing them with added value in the products, services and advice we offer and in quality of care. It divides its customers into various segments, offering each segment customised service and support and tailored products and services, including end-to-end advice in response to their needs.

To improve this level of attention and personalisation, the portfolio model was evolved in 2019 to provide more customers with a personal manager: a financial advisor at the branch nearest to their home or workplace, a *Conecta con Tu Experto* (Connect with your Expert) personal manager, whom they can contact from any device, or a Bankia manager. In this way, the customer enjoys personalised management, close monitoring of their products, information of interest based on their preferences, bespoke advice and access to special promotions, while also able to contact their manager by phone and/or online.

The customer is free to choose how and when they want to deal with the Bank. This option to interact through different service models and channels is a Bankia hallmark and sets it apart from other financial institutions.

Depending on their specific needs, customers can choose:

- Universal Branches: offering traditional face-to-face service.
- Agile Branches: also intended for face-to-face dealings, these branches come with extended opening hours and are designed for rapid transactions.
- *Conecta con tu Experto* (Connect with your Expert): offering remote customer service through the channel chosen by the customer, allowing them to arrange any product, even mortgage loans, and providing personalised advice always by the same manager and with the added benefit of longer opening hours.
- *+Valor* Branches: offering access to products and services to less digitally-inclined customers, to gauge their needs and steer them toward the service model they are after.

	2019
No. of <i>Conecta con tu Experto</i> customers	749,881
No. of <i>+Valor</i> customers	450,517
No. of <i>Conecta con tu Experto</i> specialised managers	571

New projects undertaken in 2019 include the Digital Management Office, which manages lending transactions received from digital influencers (including the Bankia portal). It allows the new online breed of customer to manage their financial needs via remote channels only.

Rounding off this comprehensive framework of customer relations are the services provided via the Bank's digital channels: Bankia Online (BOL), Bankia App and Bankia Online Autónomos (BOLA) for the self-employed segment, all of which offer the utmost usability, contactability and customer orientation and provide a wealth of value-added services. Bankia has more than 3.7 million digital customers.

The digital channel evolution plan was unveiled in 2019, incorporating new products and services to complete the range of products available via digital channels, notably car insurance, income and expense sorting app *Personal Finance Management* (PFM), which features customised alerts to help users manage the household economy and lets them add information on their accounts and spending, including accounts held at other Spanish banks; as well as online renting and the account transfer service, for those customers who want to transfer their account from another bank to Bankia and where Bankia managers take care of the entire process, including transfers and changing direct debit set-ups for income and bill payments associated with the account.

New features have been added to the app, such as the option to check your PIN, the SOS button to freeze your cards with just one click, and personalised management of contactless spending limits for in-store purchases using VISA cards. We have also improved the way payments are made abroad and international transfers and we have changed the messages users see for some of the services and features to make general improvements to the user experience when navigating the Bankia app.

Turning to investment products, Bankia Gestión Experta online is a discretionary and individualised investment fund management service, allowing customers to access the very best domestic and international investment funds, based on their preferences and investment objectives, with continuous monitoring of their investments. More than 150 portfolios are already under management since the online launch of the service in November 2019.

The recent arrival of our investment fund comparison tool, which analyses and compares the range of national funds with those of international fund managers, along with our new pension plan benefits simulator and our periodic fund contribution plans are further examples of the wide range of products and services available via digital channels for investment products.

#### *Retail customer profile*

	2019
No. of active retail customers	7,386,168
No. of customers using financial advisory portfolios	2,243,345
No. of financial advisers	2,581

	Men	Women
Percentage of customers	48.3%	51.7%
Average customer age	49 years-old	51 years-old
Percentage of highly loyal customers	17.3%	13.6%

#### Main business initiatives with retail customers

Bankia's relationship with customers takes shape through two value propositions, which are the result of ongoing dialogue with customers and which we use to feed their expectations and demands into the Bank's commercial activities, with the aim of further improving satisfaction and loyalty and tailoring the range of products and services to market demands.

- *Así de fácil* (It's that easy): Bankia's new pledge to making day-to-day life easier for its customers by improving its relationship with customers in a bid to understand them better, offer them better services and financing options and make their lives easier. It includes a range of services available through all management channels, both face-to-face and online, to broaden the communication options between customer and manager, allow payments to be made via the method best suited to their needs (Bizum, Google Pay, Samsung Pay, Apple Pay or PayPal) and allow users to cancel products without incurring additional costs.

- *Por ser Tú* (As it's you) programme: nearly 4.3 million retail customers now enjoy zero fees, and in recent years the Bank has continued to report higher numbers of new customers who have their salary or wages paid directly into their account. By 2020 this program will have evolved to include more and more customers, while continuing to offer excellent levels of customer experience and building profitable and sustainable relationships.

	2019
Number of customers who pay no fees	4,266,441
No. of new direct deposits of salary and unemployment benefits acquired	439,443
Total number of customers who have their salary paid into their account	3,491,855
No. of new credit cards issued to retail customers under the zero-fees programme	608,373
No. of new debit cards issued to retail customers under the zero-fees program	711,340

When it comes to products and services for attracting customers, Bankia offers a wide range of products that cater to all customer profiles and are mindful of the close relationship between risk and return, including demand and term deposits and investment instruments such as mutual funds and pension plans.

Against a backdrop of negative interest rates, where it is increasingly difficult to make oneself noticed against all the other competitors, Bankia has brought added value to its range of products and services. For more traditional products, we have added emotional elements and/or ethical, environmental and/or social components to strengthen the bond between bank and customer, while also generating positive impacts on the communities and environments in which we operate. Notable examples here include: Bankia is the first “Dog Friendly” bank, with specific products and services within the “Dog Friendly Pack”; our basic payment offers zero fees for particularly vulnerable segments of society; zero fees on products for customers with a digital profile, such as *Cuenta On* and our accounts for the *Mi Primera Cuenta* and *Cuenta Joven* children and young adults segments; and investment funds with socially responsible investment criteria, such as the *Bankia Futuro Sostenible* family of funds or the *Bankia Garantizado Valores Responsables* fund.

Moving to investment funds, *Bankia Gestión Experta* has cemented its status as one of our most outstanding services, reaching assets under management of over EUR 3,400 million and offering high returns for all portfolio profiles. With this discretionary and individualised management service for mutual fund portfolios, our customers have access to the finest national and international investment funds.

With regard to financing products and services, there are two main lines at Bankia: consumer loans and mortgages.

When it comes to consumer loans, the Bank continues to improve its range of face-to-face, digital and hybrid marketing products so that customers have easy, simple and clear access to the financing they need, which is always tailored to their needs, risk profile and debt capacity. In 2019, new products have been incorporated and others consolidated, such as the salary advance under a pre-approved credit facility (of up to three payslips or EUR 6,000 at a term of up to 12 months) for customers who have their salary or pension paid directly into their account; the *Préstamo On* loan for ordinary consumer purposes and featuring sustainable criteria and price personalisation based on credit profile for customers with pre-approved loans, in line with the efforts now being made by the Bank to increase this type of financing.

For home loans, Bankia has prioritised the need to bring its mortgages in line with the legal requirements of the new Real Estate Credit Act. An example of this is the Bank's early-bird commitment (three months ahead of schedule) of the new obligation upon banks to meet mortgage arrangement costs (notary or public registry expenses).

At Bankia, this change has not had the effect of pushing up customer fees; in fact quite the contrary. For instance, Bankia actually lowered its prices for its fixed rate mortgage, by offering a flat rate for customers, no matter the term of the mortgage. Nor has it meant that the products are now more complex or demanding. The *Hipoteca ON* mortgage has been created, allowing the entire process to be carried out without having to go to a branch, and the *Hipoteca Sin Comisiones* zero-fee mortgage has consolidated its status as one of the best on the market. In 2019, this mortgage accounted for 80% of total mortgage origination, which exceeded EUR 2,400 million.

	2019
Number of new mortgages arranged	25,223
No. of new mortgages arranged under the zero-fee programme	20,651
Volume of mortgages arranged (EUR million)	2,937
Volume of mortgages arranged under the zero-fee programme (EUR million)	2,402
Number of mortgage simulations run through bankia.es	877,060

### Insurance and services

In the realm of insurance, intensive work was carried out in 2019 on the new insurance splitting service *Igual Tarifa Plana*, which customers can use to group and split their policies into easy monthly instalments. This effectively provides the commercial network with a tool for retaining the current portfolio, while also enabling it to earn new insurance contracts, especially for policies with higher premiums (auto, health, funeral). It is currently available at a limited number of pilot branches and is expected to be available to the entire commercial network in the early months of 2020.

As part of the Bank's digitisation process, developments have been made to allow customers to take out their policies via digital channels (BOL and Bankia App), while auto insurance will soon be available from May 2019. Meanwhile, home insurance and single premium personal loan repayment insurance have been heavily developed and enhanced, both now in the testing phase and expected to be available in the first quarter of 2020.

Our new home insurance policy is also available. Not only is it easier than ever to arrange, it now includes new features, such as technology all-risk and platinum home insurance, as well as a specific modality — much more basic and affordable— known as *Hogar Tú Eliges*.

Further highlights include the improvements made to our securities service. As of 1 January, a new flat rate for buying and selling national securities is now available through Bankia Online and Bankia App, which is more competitive than ever and reinforces Bankia's image as a modern and fully digitised bank.

Lastly, 2019 was a very active year for Bankia in bringing existing tariffs and rates in line with new market conditions.

### Payment methods

Within the range of banking services, payment methods continued to grow throughout 2019, as shown by the business figures achieved, which revealed an increase in the number of Bankia credit and debit cards in circulation, in-store billing volume and high levels of online buying.

	2019
Total number of cards issued (millions)	9.31
Total number of contactless cards (millions)	7.16
Amount of card billing for e-commerce (EUR million)	3,434.9
Total number of POS terminals	170,327
Total number of Bankia Wallet app downloads	712,411

Mobile payments really took off in 2019. Over 660,000 customers already have their cards linked to one of the platforms available at Bankia: Bankia Wallet, Apple Pay, Samsung Pay and Google Pay. This mobile technology now accounts for 6.6% of total card purchases.

Meanwhile, the agreement reached with PayPal has continued to perform admirably and customers who have linked their PayPal account through Bankia now account for 11% of total PayPal purchases made with Bankia cards and this is steadily on the rise.

As for Bizum, Bankia has 780,000 users who can send and receive money just by knowing the mobile phone number of the other user, who now number around 6 million. Furthermore, e-commerce payment with Bizum has now been added as a new simple and secure payment method.

A key regulatory development has been the entry into force of the Payment Services Directive (PSD2), which aims to improve security and strengthen the level of consumer protection by increasing PIN transactions for in-store purchases. Purchases below EUR 20 are authorised with no authentication required, subject to a maximum of EUR 150 for consecutive transactions without entering a PIN. Once this limit has been reached, the next transaction must be validated with a PIN.

As for e-commerce, new forms of strong authentication will be introduced over the course of 2020, combining the use of biometrics with other authentication methods as a further security measure, while also helping to create a good user shopping experience.

Bankia also offers an immediate transfer service, allowing customers to transfer up to EUR 15,000 to another account in Spain in a matter of seconds. This service has seen a steady increase in users and already accounts for 54% of all transfers made at the Bank.

#### BANKIA PRIVATE BANKING

Early 2019 was a difficult time for the investment market, as the previous year had seen negative returns across nearly all investor portfolio assets. Against this backdrop, it has become more important than ever to enhance the value of the advice and portfolio management services provided by Bankia Private Banking (BPB).

Thanks to its personalised advice, customers have been able to recover lost returns and generate very attractive results, all fully adapted to their risk profile. Interest rates have fallen to levels that were not expected when the year began, generating considerable revaluations in the most conservative profiles in response to the significant rise in yields on fixed income securities; and equities also fared well over the period. However, this welcome situation for well-diversified investors has meant a change of fortunes for more traditional savers, seeing as though interest rates and therefore returns have fallen on the bank deposits available to savers.

BPB has focused its efforts on providing customers with a full range of investments to alleviate this situation: open architecture when it comes to investment funds, management of multi-asset portfolios, continuous offer of structured bonds and different private equity options for customers who have the right profile.

Bankia Private Banking has also developed products related to responsible and sustainable investment. The new breed of investor is not only concerned about diversification by geography, currency, and so forth, when making a decision on where to invest, but also looks to incorporate sustainable investment issues, extra-financial considerations and specific topics that can command significant returns, such as the environment, climate, technology and innovation, and demographics, among others. In response to this demand, which represents a clear business opportunity, the Bankia Megatendencias fund was launched for Bankia Private Banking customers.

Business volume increased significantly throughout 2019, the customer experience improved, advice was given to a larger number of customers, and many customers were invited to join Private Banking without having to shift their position at the commercial branch network.

Bankia Private Banking has continued its geographical expansion by opening a new branch on the Canary Islands. It has also moved its headquarters to Calle Marqués de Villamejor 7, in Madrid, next to Plaza 53, Bankia's flagship building.

	2019
Total number of Bankia Private Banking customers	10,628
No. of portfolios	7,938
Business volume (EUR million)	7,313
No. of managers	83

The challenge for 2020 is now to improve systems to provide more complete and even higher quality information, while developing new platforms to launch more specialised investment services as part of the wider portfolio management service. Meanwhile, the Bank will continue to develop specialised products and services to offer customers the very best advice and service and command the best returns on their investments.

#### BUSINESS BANKING

Another of Bankia's strategic areas is business banking. The customers we support range from small and medium businesses to large corporations.

In 2019, the Bank continued to demonstrate its firm commitment to financing Spain's whole business fabric. We achieved a market share of 7.83%, an increase of 41 bp in the year.

The entity signed EUR 17,042 million in loans to the self-employed, SMEs and large companies through 47,155 transactions.

#### Self-employed and retailers

These priority segments require specific expertise and monitoring so that we can identify and understand their needs and meet them effectively. We increased the number of specialised managers who call on clients at their own workplaces, raising service quality and client loyalty.

Our specialists focus on different areas: SME managers deal with businesses with annual revenue of over one million euros; general business managers cater to clients that turn over up to one million euros a year; some branch managers focus on private individuals and other business customers; and some managers specialise in finance for retailers in shopping districts.

Self-employed customers continue to benefit from the *Por Ser Tú* programme, which has enabled more than 270,000 customers to get free banking on all their accounts in exchange for meeting a few easily satisfied requirements.

Customer service for self-employed customers is also provided through *Conecta con tu Experto*. At year-end 2019, the platform had a user base of 46,301 self-employed customers.

	2019
No. of self-employed customers	533,738
No. of self-employed customers in the free banking programme	273,447
Financing granted to self-employed customers (millions of euros)	230.2
Market share of self-employed customers	16.20%



### Card payment processing and e-commerce

Revenue from card payment processing for retail merchants rose by 12.8%, and the number of merchants using our service grew steadily.

Bankia's retail merchant clients get value-added services that increase their sales from year to year: *Divisa Elección* currency choice service and *CrediTPV* terminals. In 2019, *CrediTPV* added an option for self-employed and corporate merchants to draw on their credit accounts using Bankia's online services.

We enhanced customer service by making our support specialised: for virtual point-of-sale terminals and PC technical solutions on one hand, and for conventional point-of-sale terminals on the other. Both services are attracting high levels of branch office and customer use.

In the e-commerce segment, revenue rose 22%, growing faster than bricks-and-mortar. We are now adapting to Payment Services Directive II requirements to offer merchants a robust frictionless solution that maximises transaction completion.

### SMEs

In 2019 we continued to work towards becoming the bank of choice for small and medium-sized enterprises.

One of our main efforts is to provide SMEs with the funds they need to get their projects off the ground, and we have achieved a large increase in the volume of approved credit. This year, we closed SME deals for a combined total of EUR 3,456 million.

We rolled out new products and initiatives tailored to SMEs, such as cyber risk insurance and Bankia Forward, providing conferences and events to help SMEs and the self-employed move forward on the path to innovation and growth. Activities such as our *ADN Pymes-La neurona* event have proved extremely popular, serving as a meeting point for leading SMEs in a range of different industries.

In 2019, we re-segmented our customer base. Customers billing more than EUR 6 million were migrated to Business Banking to optimise Bankia's SME business and improve the sizing of the advisory service. We now have more managers specialising in SMEs – being on the frontline, they are closest to the customer and can accurately identify their needs and offer the right support.

	2019
No. of SME customers	201,423
No. of SME customers in the free banking programme	44,553
Market share of SME segment	13.30%
Financing granted to SMEs (EUR millions)	3,456
Total number of specialised SME managers	259

### Farmers

Bankia is committed to sustainably supporting farmers, a strategic group. 374 of our branches have a resident agricultural expert who advises farmers on the best financial solutions available. In 2019, we implemented a new agricultural support structure by posting farming experts to 6 of our 12 regional head offices where business with farmers is most significant.

The teams that specialise in banking for farmers advise, support and promote farming businesses within their regions to provide expert personalised service for each specific type of crop. This approach enhances the quality of customer service and effectively tracks the farming cycle by tailoring the Bank's financial solutions to the real needs of the specific farm. Each kind of crop or livestock requires a specific solution. Our experts seek out the right arrangement: for example, in the face of adverse weather or pest events that damage a harvest our customers are advised on how to cover the cost, plan for future growing seasons and find the right farming insurance in the light of risks and impacts.

	2019
No. of agriculture customers (business activity)	67,030
No. of agriculture customers in the free banking programme	32,778
Financing granted (EUR millions)	4,265.08
Total number of managers specialising in agriculture customers	381

The farming segment continues to benefit from the *Por ser tú* programme, which enables 48.9% of customers in the agricultural sector to get free banking on all their accounts in exchange for meeting a few easily satisfied requirements: setting up standing orders for social security, taxes and farm subsidies.

Bankia also advises farmers on Common Agricultural Policy subsidies and helps them process applications. Customers can apply for subsidies in any of the Autonomous Communities where Bankia has branches specialising in the agricultural sector. This service will soon be extended with the launch of a subsidy search engine tailored to the customer's profile. We have streamlined our processes for granting advances on upcoming subsidies so that customers can draw on the funds immediately.

#### Bankia Empresas

Bankia Empresas cemented its value proposition in 2019 by focusing on customer satisfaction with the Bank. Our product experts provide high quality comprehensive coverage for customers' day-to-day needs, tailoring financial schemes to their business plans and providing certainty, responsiveness, advice and support for businesses' financial planning.

In the closing quarter of 2019, we evolved our service model facing the business segment by reclassifying companies with more than EUR 6 million in revenue to our specialist business and corporate banking networks. These companies were offered migration and advice with specialised business banking managers to better serve their needs.

	2019
Total number of business banking customers	29,697
Total number of managers specialising in business banking	216
Penetration rate in business banking	39%
Volume of credit granted (completed transactions) to business customers (EUR millions)	12,629
Volume of customer funds managed in Business Banking (EUR millions)	5,370

Bankia provides service to Corporate Banking customers via a robust specialised structure, with a wide-ranging product catalogue, services tailored to the needs of large corporations, risk pre-classification through financial programmes, comprehensive coverage of the business and optimal transactional services.

Companies were cautious in their expenditures over the year and non-banking sources of finance are increasingly tough competitors. However, Bankia achieved a strong increase in the balance of its credit granted to Corporate Banking customers and in its market share.

	2019
Stock of loans granted to Corporate Banking customers (EUR million)	16,963

Bankia Empresas continues to improve its product and service offering. In 2019, *Soluciona Empresas* added three new tools to the existing ten to continue providing value-added services to customers and non-customers. Two of the new tools are part of Bankia's commitment to the sustainability of the business fabric:

1. *Radar Bankia Forward* offers content on innovation and industry trends to inspire companies to discover new opportunities to innovate in their business models.
2. *Certifica* helps companies identify suitable voluntary certifications - often in the field of energy and environmental management - so that they can optimise their internal processes.
3. *Eficiencia Energética* detects energy improvements in gas and electricity consumption and evaluates options to optimise systems for energy efficiency.

At Bankia Renting, operations have been digitised through a simulator available to business customers and non-customers and to individuals. This forward step helped us double our volume in 2019 with respect to last year.

Bankia cemented its leadership in managing payments for business customers, with a high market share of immediate transfers.

In December 2019 we opened new representative office in Casablanca, Morocco. The move is part of Bankia's strategy to support our customers' foreign trade in key markets. The Bank also has overseas offices in Havana and Shanghai. Our overseas offices do not offer lending or banking services and hence do not contribute revenue to Bankia; rather, their role is to support and advise business customers and channel the flows of their international operations.

In foreign trade, Bankia worked closely on the communications plan of the Spanish Export Credit Agency (CESCE) in raising awareness of its risk mitigation hedges at conferences and events with customers. This enabled us to identify a large number of export business opportunities. These hedging arrangements optimised customers' credit risk with less capital consumption while enhancing customers' funds under management in the course of these deals. Over the year, we completed more than 40 transactions for a total value of over EUR 80 million, while enhancing customer loyalty with value-added services.

A highlight of our cooperation with government bodies was our partnership with the Instituto de Crédito Oficial (ICO), Spain's State lender. Bankia is the market leader in marketing the *ICO Exportadores* export finance line, with a market share of 70.34% in the year and total credit granted of EUR 747 million. Hence the Bank provides significant support to its customers' export business. Bankia is the second largest bank in terms of financing granted to Spanish businesses through ICO-backed credit lines as a whole, with powerful growth of 29% with respect to 2018.

In mediation with multilateral organisations, Bankia has a strong presence in project finance funded by the European Investment Bank through the EIB SME, mid-caps and agro-food financing lines, which offer customers competitive prices. In 2019, we continued to market the new EIF Innovfin financing line, launched in mid-2018. The initiative finances innovation projects in partnership with the European Investment Fund (EIF). Over the year, we granted EUR 127 million of financing.

2019 also saw the launch of the "EIB Youth Employment" line, which a strong social component: we finance companies that create jobs for young people, thus providing strong support to this segment.

In support of green financing, we launched a line aimed at the hotels and hospitality industry to fund investment in energy saving technologies or use of renewable energy sources. *Financiación Sostenible-Sector Hotelero* is partly funded by the EIB and hence offers especially attractive terms.

In 2019, Bankia created a new business unit specialising in sustainable financing as part of our firm commitment to sustainability and the environment. With an end-to-end, cross-cutting approach, we rolled out an internal project that brings together efforts and initiatives across different areas of the Bank in terms of products, risks and information systems, with the goal of taking the lead in the field of sustainable financing.

To further improve its unique range of sustainable financing products and services, in 2019 Bankia signed a pioneering agreement with the EIB to co-finance the construction of near-zero-energy housing in Spain. Bankia allocated EUR 207 million to finance projects certified by an independent agency. Under this agreement, people who decide to purchase these homes will enjoy special financing conditions through the 'green mortgages' offered by Bankia, with favourable financing conditions from the EIB, which can knock up to 0.25% off the final interest rate. We extended 9 developer loans for a total value of EUR 207 million.

Bankia's product catalogue also includes financing solutions tailored to sustainability-conscious individuals and businesses, promoting responsible use of resources and helping to mitigate climate change.

## INVESTMENT BANKING

### Corporate finance

In 2019, we reinforced our origination, structuring and specialised asset placement capabilities to attract alternative investment and enter the non-bank financing space. This supplements Bankia's traditional financial services for corporations and small and medium businesses. Hence fixed-income origination, market-making, debt advisory, mergers and acquisitions and special transactions were brought together within the Corporate Finance division.

Bankia was the book runner for 17 bond issues by Spanish companies and government bodies, placing EUR 8,650 million of debt among domestic and international institutional investors. Highlights included large public issues aimed at the entire market, such as the multi-tranche bond issue by Abertis in March and July and the deals signalling the return to the capital markets of Autonomous Communities such as Castilla y León and the Balearic Islands. As to private placements, we led attractive deals - several of them in a sustainable format - for customers such as the Autonomous Community of Madrid, the Principality of Asturias, ACS and Acciona.

In financial advisory services, the M&A and alternative financing teams were highly active, closing 5 deals in the renewable energy, nursing home, railway equipment leasing and food sectors, and successfully structuring and placing long-term debt tranches in acquisition financing transactions for international institutional investors.

### Derivatives

In April 2019, Bankia registered as a member of the Madrid Stock Exchange, Barcelona Stock Exchange, Valencia Stock Exchange, Latin American Stock Market (LATIBEX) and the Spanish Alternative Stock Market (MAB) after successfully meeting the relevant corporate, documentary and technical adequacy requirements.

This enables us to send our customers' domestic market securities buy and sell orders directly to the exchange, dispensing with outside brokerage services. Bankia thus enhanced its services to customers, offering closer cooperation by directly executing all processes in the value chain in the field of national equity securities: trading, execution, clearing, settlement and custody.

### Special loans

The Bank took part in more than 100 syndicated loan transactions in 2019. We continue to be a leading bank in this mode of project finance and a benchmark in financing infrastructure and renewable energy ventures. Bankia contributed to financing 1,527 MW of renewable energy, including wind, photovoltaic and solar thermal projects, extending credit of EUR 276 million.

In acquisition finance, in 2019 Bankia led the structuring and underwriting of deals to acquire medium-sized companies. We positioned ourselves as the benchmark financial institution for banking services to this customer segment.

### Property finance

Bankia actively financed residential and non-residential property transactions (shopping centres, offices, student halls of residence, etc.).

As to residential assets, Bankia strengthened its strategy of working with the leading Spanish developers in the sector. We financed the construction of more than 3,500 homes throughout Spain in 2019, as well as several built-to-rent projects.

In non-residential property, we financed projects in the shopping centre, hotel, office, student hall of residence and logistics sectors.

## BANKIA ASSET MANAGEMENT

Bankia Asset Management (Bankia AM) is the trade name that encompasses all Bankia's collective management activities, including portfolio and asset management for retail and institutional clients.

Bankia bolstered the Bankia AM outfit in 2019 with hires to the Investment and Sales teams. Bankia AM is structured into two divisions. Global Investment handles all investment activities, including investment funds, employer-sponsored and individual pension plans, open-ended collective investment schemes (SICAVs) and portfolio management. The Sales division, for its part, caters to to fund and pension plan unitholders to support the Bank's after-sales service.

Bankia Fondos

Bankia Fondos manages investment funds and open-ended collective investment schemes (SICAVs).

In the current scenario of low interest rates, investment funds are one of the main tools investors and savers can use to find attractive returns. 2019 was an excellent year for investment funds: almost all asset classes contributed positively to portfolio returns.

Bankia Fondos' products and services, as medium- and long-term investment catalysts, offer several advantages: To be able to access a wide range of commercial offers that allow us to find the product that best suits the needs and expectations of each investor, to access a broad portfolio of assets, allowing us to diversify risks, to generate lower transaction costs for the participant and to have a professional management team specialized in making investment decisions, which results in better returns.

In 2019, Bankia pass the EUR 19 billion mark in assets under management in investment funds, having added EUR 2,639 million euros last year. Bankia ended the year as the industry leader in net fundraising after attracting EUR 1,543 million. We now manage funds for more than 368,000 investment fund unitholders.

	2019
Total number of investment fund unitholders	368,692
Volume of assets under management in investment funds (EUR million)	19,497

Over the year as a whole, *Bankia Fondos* grew 15.7%, well above the industry average, which was 7.4%.

As a result of this strong performance in 2019, *Bankia Fondos* enlarged its market share by 50 basis points to 7.05%. Bankia AM thus entrenched its position as the fourth-largest domestic manager in the *Inverco* league table.

Much of this growth was driven by the new *Bankia Gestión Experta* portfolio management service. This service manages customers' assets according to their investment profile through a diversified portfolio of investment funds that adapt to market opportunities at each given time. Since its launch via the marketing network, *Bankia Gestión Experta* had total assets under management of EUR 3,433 million across 80,420 portfolios, becoming the most in-demand product/service for customers in the collective investment domain.

Strong returns were achieved by the four types of *Bankia Gestión Experta* portfolio: we ended the year with returns of 5.94% for the "peace of mind" portfolio, 10.62% for the "balanced" portfolio, 15.74% for the "growth" portfolio and 19.42% for the "advanced" portfolio.

*Bankia Gestión Experta* is also available through *Bankia Online* and the Bankia mobile app: customers can sign up the service with a starting investment of just EUR 1,000. Customers can track their investment at all times over our online channels.

Another mainstay of the business is risk-profiled funds. These fund ranges offer different risk levels so that customers can determine their risk aversion and choose the product that best suits their profile accordingly. Three features are common to all risk-profiled funds: global investment universe, wide diversification and flexible management.

At Bankia there are two ranges of risk-profiled funds: *Bankia Evolución* and *Bankia Soy Así*, each made up of three funds for three risk profiles: conservative, moderate and dynamic.

At year-end, they had assets under management totalling EUR 8.5 billion, or 43.6% of total assets.

Socially Responsible Investing (SRI) according to environmental, social and governance (ESG) criteria is another area of collective investment to which Bankia is strongly committed. Socially responsible investment embraces environmental, social and governance criteria within the decision-making process, supplementing the traditional financial criteria of liquidity, return and risk.

In 2019, *Bankia Fondos* expanded its SRI product offering with the launch of *Bankia Mixto Futuro Sostenible*, a mixed fund that invests up to 30% of its portfolio in equities and seeks a positive impact on six of the UN's Sustainable Development Goals (SDGs): end poverty, zero hunger, health and well-being, clean water and sanitation, decent work and economic growth and climate action.

In 2020, *Bankia Fondos* will continue its commitment to improving products and services under standards of prudence and risk control, focusing on three key topics in the current environment: widening the portfolio management service, strengthening and promoting socially responsible investing, and providing the tools for customers to continue choosing the best products and services.

### Bankia Pensiones

Bankia manages assets worth EUR 8,243 million across individual, employer and associated pension plans to preserve and increase retirement savings. We have a wide range of plans that can be tailored to all timelines and investment profiles.

To widen our range of savings products, we launched VIVE plans during the year: *Bankia Soy de los 60*, *Bankia Soy de los 70* y *Bankia Soy de los 80*. Life-cycle pension plans offer customers a financial solution in line with their current age. The plans are managed so that the risk of the investment portfolio adjusts as the product's maturity approaches, i.e., the customer's retirement age.

Fund capture in individual plans was driven forward by the launch of three guaranteed pension plans: *Bankia Protegido Rentas Premium XI*, *Bankia Protegido Rentas Premium XII* and *Bankia Protegido Rentas Premium XIV*, with total assets under management of EUR 45 million.

A new benefit simulator came online in 2019 to further improve service by enabling customers to analyse different methods of collecting benefits from their pension plan. The tool lets you view the after-tax results, and by default indicates the redemption method that optimises your return.

Financial year 2019 brought forth excellent returns on all *Bankia Pensiones* products. A conservative pension plan such as *Bankia Moderado* achieved an annual return of 5.57%, while an equity pension plan such as *Bankia Bolsa Internacional* made a return of 21.55% over the year.

At year-end 2019, our market share in individual pension plans was 7.93%.

	2019
Total number of pension plan unitholders	856,141
Volume of assets under management in pension plans (EUR million)	8,243

Since 2018, *Bankia Pensiones* has in place a Socially Responsible Investing Policy that applies to all products and assets managed by us. The goal is to establish a frame of action guided by environmental, social and governance (ESG) principles for investments approved by *Bankia Pensiones*.

The strategy is concerned to comply with the United Nations Principles for Responsible Investment, excluding companies that are not considered "best in class" or are involved in controversial activities. The topics assessed take into account the 10 Principles of the United Nations Global Compact, as they are a common, globally recognised framework for all sectors and covering specific issues of human rights, labour standards, environmental management and the fight against corruption.

### Commitment to responsible management

The asset management business plays a key role in channelling capital flows to sectors and companies that contribute to a more sustainable economy, from an environmental, social and governance (ESG) point of view.

Bankia AM remains committed to Socially Responsible Investing (SRI) and continues to work to integrate non-financial criteria with investment decisions and risk management, to fight climate change and contribute to the United Nations Sustainable Development Goals as key objectives.

	2019
Volume of assets of employment funds managed under Socially Responsible Investing criteria (EUR million)	880

Bankia's asset management division is serious about its ability to influence decision-making at the companies we invest in. We use our voting power and direct contact to set up an active dialogue and raise the profile of our investees' ESG practices.

Therefore, Bankia AM is widening its frame of action in proxy voting beyond statutory requirements. It also seeks engagement with companies and their management teams to influence their decision-making in the environmental, social and governance domains.

Regulatory pressure is driving financial institutions – and asset managers specifically – to consider non-financial risks as a further element of the risk-return dichotomy within investment decision-making.

A key project in Bankia AM's Strategic Plan is to deploy responsible and sustainable management. In order to undertake these far-reaching and complex changes, the management company is assisted by a specialised consultant who will support the process of transformation towards an integrated model of sustainable management: governance, non-financial risk management (ESG criteria) and development of investment solutions.

More and more investors are considering socially responsible investing and incorporating ESG considerations to their investment decisions as key elements in selecting products to invest in. That is why we have launched *Bankia Futuro Sostenible*, a product range that provides customers with responsible and innovative investment solutions.

Hence in 2017 we rolled out the first impact-driven thematic fund in Spain that pursues the Sustainable Development Goals (SDGs): the *Bankia Futuro Sostenible* equity fund, which already has EUR 24 million under management. In 2019, we launched our hybrid fund for conservative risk-profiled customers, *Bankia Mixto Futuro Sostenible*, which now has EUR 7.5 million under management. The fund invests in equities, social-impact bonds, green bonds, sovereign bonds and bonds issued by companies that have a positive impact towards our sustainability goals.

In 2019, it also launched *Bankia Valores Responsables*, which guarantees 100% of the investment at maturity plus a payout of 0.15% annually, in addition to the upside potential of a basket of sustainable equities selected under the "best in class" criterion.

Reflecting our commitment to socially responsible products as a way to create value for investors, the environment and the wider community – while doing so sustainably and with our eyes on the future – *Bankia Fondos* is on Citywire's *Avant-gardist* list as one of the 36 most advanced fund management firms in applying ESG criteria, mainly as a result of pioneering our *Bankia Futuro Sostenible* fund.

Bankia AM has created a cross-cutting ESG Coordination Committee that encompasses the management firm's multidisciplinary teams, meeting monthly. The Committee's functions are to coordinate Bankia AM's ESG project, conduct product analysis, identify opportunities, evaluate the business environment in terms of ESG, and make ESG-filtered investment decisions, thus providing a forum for discussion of publications and developments in the field.

In line with compliance with the rules of conduct (resources and experience) and the fiduciary duty of the management firm, and taking into account the cross-cutting scope of socially responsible investing, a Training Plan was introduced, with a twofold purpose: to gradually certify our experts to the ESG analyst

standard by EFFAS (CESGA), mainly focusing on the risk and investment management teams, and to plan more general internal ESG training for other employees.

As initiatives for dissemination and collaboration with stakeholders, Bankia AM attended debates and trade forums, such as the Spainsif Annual Meeting, held this year at Bankia's headquarters, and Citiwire. Bankia AM is a member of the Inverco ESG working group, alongside other asset management companies.

For the next few years, the challenges that Bankia AM will face include: to evaluate the need for organisational changes and functions of Bankia AM's departments and units; to update internal policies and procedures to move forward with the integration of ESG topics; alignment with regulatory requirements; adherence to international standards; and the launch of new socially responsible products.

## BANCASSURANCE

As a strategic line of business, Bankia has a bancassurance division that sells life and general insurance and provides specialised support to the Bank's network in the areas of risks to individuals (life, home, car, health and savings) and businesses (commercial, credit insurance, civil liability and multi-risk).

The integration of BMN in 2018 required a significant effort to incorporate processes, operations and supply chains that needed to be standardised. As a result, in 2019 the two bancassurance operators were integrated, with BMN Mediación merging with Bankia Mediación.

At the business level, several actions provided the branch network with suitable tools for selling insurance. Highlights included forward steps in marketing systems for home insurance and in car and health insurance portfolio maintenance.

In 2019, we launched the first fully digital operation in the vehicle sector, letting customers simulate and arrange their car insurance directly on the Bankia website.

We started to market new insurance products to widen the Bank's catalogue, specifically for residential property owners' associations, leisure boats and farm machinery.

In 2020, priorities focus on increasing insurance by penetration leveraging Bankia customer loyalty, embracing individuals and businesses; improving commercial dynamics within teams, enhancing online insurance signups in various household-related domains, and bolstering commercial tools and actions to increase Bankia employee productivity in this area.

As to the performance of the insurance business in 2019, net premiums issued came to EUR 530 million, thanks to the 23% rise in new production.

New production was highly significant in life assurance and household -related insurance, growing 23.6% and 28.7%, respectively, versus 2018. In 2019, we also made a strong bid to increase business insurance, the standout areas being civil liability credit insurance (+28% and +59%, respectively).

At 31 December 2019, there were almost 2.6 million policies in force and mathematical life savings provisions amounted to EUR 5,770 million.

	2019
Number of bancassurance risk and savings customers	1,605,286
Total number of risk and savings policies in effect	2,576,529
Net premiums issued (EUR millions)	530



## PROPERTY

Bankia's property divestment programme requires extensive industry knowledge and professional management. Our main goal is to obtain the highest possible return, clean up the balance sheet and support our share price, in accordance with regulators' requirements.

All repossessed assets are managed and marketed through Haya Real Estate, which is responsible for technical maintenance and all commercial activities (customer service, dealing with brokers, presence at events, publication of offers, etc.).

Since its creation in May 2016, the mission of the Property Management division is to reduce the balance committed to strategic plans for problem assets while minimising impact on profit or loss, by coordinating sales and bundling assets that can be placed outside the retail circuit.

We have therefore improved information quality, made our stock more transparent, and partnered with other areas of the Bank to speed up the sale of newly repossessed property.

At 31 December 2019, this business had brought in EUR 808 million, with the sale of 9,946 properties, including 7,399 housing units.

### c. Innovation and digitalisation

For Bankia, innovation is a lever that supports the entire organisation, generating new business models and helping us to develop products and services that make customers' lives easier, while seeking profitability and sustainable development for the Bank and enabling it to contribute to society and the environment.

Innovation has a direct or indirect presence in all the Bank's projects and all areas, from people management through customer relations to the development of management models and new value-added services.

Bankia's Innovation and Cyber Security corporate division is developing a Teacher Innovation Plan. Most innovation challenges arise from our analysis of trends and the competition: Artificial Intelligence, Chatbots, Virtual Assistants, Roboadvisor, Robo4Advisor, Agile, Neo-banking, Payments, P2P Lending, etc. are areas we have examined and in many cases decided to explore, scaling throughout the whole organisation.

Blockchain, IoT, 5G, Quantum Computing, advanced AI and NLP, or digital ethics are still technologies and trends we continue to study so as to understand their implications for Bankia and their consequences for other sectors.

The ongoing emergence of new technologies and their related evolved forms means that the innovation team must work constantly to identify trends and new challenges facing areas of interest to the Bank.

Key projects backed by Bankia in 2019 include start-ups that aim to create new ventures in the banking domain, support for fintech companies via investment products, new customer communication models that improve the Bank's responsiveness and performance, and use of new technologies – such as the blockchain – in the sustainable development of innovative projects.

#### Bankia Fintech by Innsomnia

The project promoted by Bankia and managed by Innsomnia, "Bankia Fintech by Innsomnia", has emerged as the largest open innovation center in Spain. The venture is a benchmark in its innovative approach and its success in its structured efforts to promote start-ups.

Bankia Fintech by Innsomnia, founded in 2016 as a start-up incubator and accelerator, creates solutions for strategic business segments such as SMEs and the self-employed.

From its headquarters in the Marina Real in Valencia, in 2019 Bankia Fintech widened its reach by opening a new office in central Madrid. Its ongoing programmes include specific mentoring tailored to the technological and business development needs of the project in hand. The company also has twofold support from Innsomnia in the form of successful senior mentors in the fintech field.

Bankia Fintech by Innsomnia has so far issued five domestic and international requests for proposals. With a total of 493 applications submitted and 65 domestic and international projects selected for development.

The goal of the programme is to encourage a model of partnership between startups and Bankia to rise to strategic challenges, facing technological change as an opportunity and developing proofs of concept and minimum viable products that can be incorporated into the production and management of the Bank.

For seven months, the Bank's innovation and business teams are involved in the development of the project, culminating in the "Partners Day" ceremony with the presentation of results that are decisive for continuity.

In terms of investment, Bankia has created Bankia Fintech Venture, a fund through which we shall invest up to EUR 20 million over a period of five years in fintech projects developed by financial start-ups.

The launch of this tool will enable many emerging companies to make their initiatives a reality and partner with the Bank in the development of new services for customers. The platform will channel their financing needs by enabling them to implement services relating to innovation and technology, which are highly complementary to Bankia's core business.

#### Bankia, the first Spanish bank with an official WhatsApp account

To provide the best possible service to our customers, one of the innovations introduced by the company this year was availability on WhatsApp.

Bankia opened the first official account for a bank in Spain on this platform so that our customers can contact us in an easy and straightforward way. At first, the Bank will handle queries on mortgages, but our goal is to widen the service offered on this channel and cover other products.

Bankia's WhatsApp channel is a customer service channel and will not be used to contact customers or send them unsolicited advertising or messages.

#### Talk to Bankia using Google Assistant

On the other hand, Bankia adapts and uses natural language processing technology to transcribe what the user is saying into text. This simplifies direct communication with the customer. Google Assistant understands the user's query and offers the answer in natural language using an artificial intelligence system.

This service is now available to any user, including non-customers. You can locate branches and cash machines nearby or at a certain address or location simply by asking Bankia over Google Assistant. Google Assistant locates the nearest office or cash machine and links to Google Maps for directions.

#### Bankia works to reduce carbon emissions

Innovation is one of the key catalysts of Bankia's commitment to help improve society and the environment. The Innovation and Cybersecurity corporate division ran several initiatives relating to the Sustainable Development Goals (SDGs): the highlight was a platform in support of reducing greenhouse gas (GHG) emissions.

In partnership with Aenor and Everis Ingeniería, the Bank unveiled a project at the UN climate change conference (COP25) in Madrid to create a national carbon credit generation and trading exchange. The platform enables individuals and companies who want to offset their carbon footprint to access carbon credits generated by national projects.

Bankia's contribution to the project is its Stockmind asset tokenisation platform, which uses blockchain technology to create an incorruptible ledger that prevents double counting of GHG emission reductions, thus providing transparency to the process of trading and offsetting verified credits.

In addition to being a financial intermediary and the provider of the carbon marketplace tool, Bankia can create specific financial products for developers who support the energy transition through emission reduction projects in Spain.

Thanks to the momentum of this innovative project, the World Bank has inducted Bankia into its Advisory Group to lay the foundations for an international voluntary market in carbon credits.

Bankia's initiative is expected to be operational and officially launched next May 2020 at the Innovation4Climate event to be held in Barcelona.

Bankia promotes blockchain initiatives in partnership with *Bankia Fintech startups*

Digital assets are an increasingly important part of our wealth, especially in younger generations who are living new experiences that connect directly with their emotions.

Among the projects presented in response to requests for proposals launched by Bankia Fintech by Innsomnia, a highlight is our partnership with DoNext, a tech startup, to develop apps for collectors and for sharing experiences. For this project, we used asset tokenisation technology through Stockmind, a blockchain-based technology platform that Bankia offers free of charge to startups and corporate clients. Stockmind enables customers to create their own digital currencies and tokens for use in proof of concept and innovation projects Bankia provides the platform as an open innovation tool to access innovation opportunities and projects.

A token is a digital currency created using blockchain technology. Unlike crypto-currencies, tokens are created and backed by a specific business to represent ownership of an asset, such as bonds, money or real property. Tokens enable transfer of ownership of the asset they represent and trading on digital markets.

#### PROJECTS DRIVING THE BANK'S DIGITAL TRANSFORMATION PROCESS

Bankia is constantly striving to improve the way it interacts with its customers. We use cutting-edge technological solutions, evolve our business and transform our processes.

The Digital Transformation and Strategy division has launched major initiatives requiring close cooperation across Bank departments.

To transform spaces for customer interactions, Bankia created a new branch office template equipped with the latest technology and new collaborative spaces. Called *Plaza 53* and located in Madrid's Calle Serrano, it is now the Bank's flagship branch office.

*Plaza 53* supports digitalization by providing customers with simple devices that enable them to manage their banking according to their own preferences. The customer experience and learning curve is supported by an expert team. Customers have available collaborative spaces that accommodate new ways of working and provide a venue for companies and individuals to host events and meetings. The Bank's highly qualified advisers support customers' financial decision-making. In 2020, Bankia will continue plans to extend this branch office template to other key areas.

Over the year, the Bank started to equip the branch network with advanced devices, IT systems, tablets and totems to enable customers to handle their banking requirements independently and in a user-friendly way, while encouraging a more interactive conversation with their financial advisers.

Bankia introduced cutting-edge technological solutions for distance services, such as the "Bianka" conversational assistant, so that customers and employees can optimise their experience in dealing with queries and requests.

"Bianka" answers queries about insurance, charges, collections, payments, transfers and securities. Thanks to machine learning, in future Bianka will be able to handle increasingly complex requests and transactions. In clear natural language, Bianka will answer questions, tell customers about new account entries since they last logged in, order transfers or payments through Bizum and support many new functionalities that will be introduced over time.

As part of its digital business strategy, Bankia significantly widened its range of digital products. The entire life cycle of a product, from signup to termination, can be implemented online. There is no need to set foot in a branch office. Examples include products and services such as *Préstamo On*, *Hipoteca On*, car insurance and, for investment, *Bankia Gestión Experta Online*, for model-driven portfolio management.

As regards online channels, we continued to evolve and improve *Bankia Online* with new services such as aggregation of products from other banks. We launched a new Bankia Online version for self-employed customers, providing a comprehensive view of their personal and business banking affairs and new options

such as point-of-sale terminals, file management and tax and social security payments. The new online channel caters to almost 300,000 self-employed customers.

Bankia's process of transformation involves moving forward with the Bank's multi-channel architecture. Since the cloud platform was rolled out in 2018, Bankia has relied on the leading public cloud providers and its own data centre resources. The cloud platform optimally combines responsiveness, scalability and cost reduction for online channels while assuring data security and regulatory compliance. In addition, based on an API (Application Programming Interfaces) platform, the cloud service allows for extending the open business model.

In 2019, Bankia made forward strides in its artificial intelligence (AI) development efforts to enhance efficiency and customer service. The development drive starts with identifying specific Bank admin processes that can be automated to free up time for our employees or to better understand customer needs and requirements.

This drive has enabled us to reinforce the cognitive platform that runs AI-based processes and automate the management of key lending products, thus cutting down on response time.

The new cognitive capabilities focus on artificial vision and natural language processing to create a unique and robust system that can meet customers' needs, built on deep learning and alternative analytical models tailored to the Bank's requirements. These expanded capabilities enabled us to better understand the problems surrounding interactions at the customer service centre, thus enhancing customer service and raising satisfaction scores.

To tackle AI projects, the Bank has formed new data science teams who specialise in rolling out artificial intelligence systems. In 2020, their goal will be to enhance operational efficiency and customer service.

To understand Bankia's digital transformation, the impact of advanced analytics on big data technologies is a key consideration. Since 2016, Bankia has followed a strategy to create differential value in the transformation of our marketing process, using advanced analytics to leverage new knowledge generated from existing data and then interact with customers at the right time, the right channel and in the right context.

In 2019, we implemented new online marketing tools in the cloud. Using customer data and intelligence, we create "user journeys" and interact with them so as to respond to their actions. This approach generates distinctive experiences in the relationship with a customer, based on knowledge and support.

Other practical applications of AI in the Bank include a system for analysing online user behaviour to understand and learn from what they do, and analytical models that help to profile customers more accurately.

#### **d. Accessibility and financial inclusiveness**

##### EASE OF ACCESS TO BANKING SERVICES

Through its *ofibuses* ("bus branches"), Bankia offers banking services to rural populations at risk of unbanking. *Ofibuses* are highly effective and have a beneficial social impact in extending banking services to small villages where the population has aged. The service protects the right to access to banking services as a key factor in preserving quality of life and welfare in rural areas.

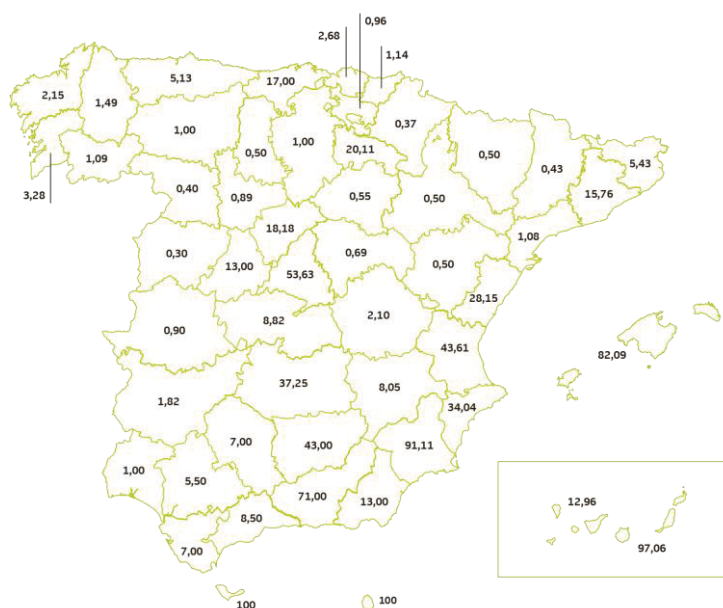
Bankia's *ofibuses* are mobile branch offices that enable users, whether they are bank customers or not, complete standard banking transactions: withdraw cash, make deposits or pay bills and taxes. They are open from 8 a.m. to 6 p.m., Monday to Thursday, and on Fridays from 8 a.m. to 3 p.m. The bus branches serve almost 250,000 people living in 373 small municipalities at risk of financial exclusion in six Autonomous Communities. Bankia has five *ofibuses* in Castile and Leon, two in the Community of Valencia and La Rioja, and one in the Community of Madrid, Castile-La Mancha and Andalusia, covering almost 43,000 kilometres a month.

Bankia's *ofibuses* also provide coverage at cultural and sporting events such as the Madrid Book Fair and the Motorcycle World Championship Grand Prix held in Cheste, Valencia. A highlight in 2019 was public

recognition for the role played by our *ofibus* service at the COP25 climate summit held in Madrid, where we made banking services available to delegates and attendees.

	2019	2018
No. of <i>ofibuses</i> operating in the territory	14	11
Number of municipalities where the <i>ofibus</i> service is provided	373	341
No. of kilometres travelled (monthly)	43,000	39,600

Percentage of municipalities with a Bankia branch



	2019	2018
Number of branches in sparsely populated areas	115	498

Distribution of the branch network by population centres

	2019	2018
< 2,000 inhabitants	5.34%	7.29%
<= 5,000 inhabitants	6.64%	6.81%
<= 10,000 inhabitants	8.03%	87.91%
<= 20,000 inhabitants	7.70%	7.69%
<= 50,000 inhabitants	12.48%	12.42%
<= 100,000 inhabitants	11.04%	10.69%
<= 500,000 inhabitants	25.01%	24.22%
> 500,000 inhabitants	23.76%	22.98%

## FINANCIAL LITERACY: BANKADEMIA

Another key topic surrounding suitable access to banking services and mitigating the risk of exclusion is financial literacy. To provide a clear, simple, accurate and reliable understanding of banking products and services and how they work is a firm commitment for Bankia, which we pursue through our financial literacy programmes, specifically *Bankademia*.

This initiative is an online multiplatform for financial literacy where educational content is presented in multiple formats that each user can view and use according to his or her own preferences. Infographics, videos and podcasts address day-to-day situations and real-life scenarios so as to make knowledge transferable to people's real-life needs.

Bankademia is structured into ten courses, focusing on basic finance, housing, savings and investment, aid and subsidies, taxes, employment, household finances, SMEs and the agricultural sector, with specific teaching modules for each.

The initiative is part of the Funcas Financial Literacy Stimulus Programme, launched in 2018 by Funcas and CECA.

**e. Effective management of non-performing loans**

Against a backdrop of moderate improvement in the economy and in the disposable income of Spanish households, Bankia continues to operate policies that protect borrowers who have had their financial situation severely impaired by unforeseen circumstances. As part of its policy of preventing social risk, the Bank offers negotiated solutions to help defaulting borrowers pay off their debts.

Since 2012, when a range of legislative measures were taken to protect mortgage borrowers, the Bank has been sensitive to the vulnerability of many Spanish households, and has introduced initiatives and solutions in line with the spirit of that change in the law.

Bankia became a signatory of the Code of Good Practice created by Royal Decree-Law 6/2012 of 9 March on urgent measures to protect mortgagors undergoing hardship and its subsequent amendments.

In addition, Bankia voluntarily makes efforts to resolve situations that might otherwise involve home repossession and to prevent vulnerable families from being left without any housing options.

These measures are available at the request of customers and through social actors (local government services, non-profit organisations, charitable bodies, etc) with which we have a relationship of trust.

Under this policy, in 2019 we rescheduled 387 mortgages, granting more flexible terms to adapt loan repayments to households' ability to pay, with a combined value of EUR 40.10 million. 1,127 mortgages were similarly modified in 2018.

In addition, we accepted 2,464 transfers of title in lieu of money payment, under agreements to discharge the mortgage in exchange for surrender of the property, with a combined value of EUR 311.66 million. In 2018, we signed 991 agreements of this kind. In all cases, we negotiated solutions to avoid evictions and repossessions affecting vulnerable groups, while preserving the bank's interests as far as possible.

Since 2012, Bankia has accepted 12,047 transfers of title in lieu of payment, and has modified the terms of 77,025 mortgage loans. In this way, the bank has helped mitigate the loss of main dwellings for many households and vulnerable groups.

In 2019, the Bank was awarded 1,395 repossessions and foreclosures in the courts, as compared to 2,170 in 2018.

Bankia's support to its customers who undergo hardship also extends to other financial products, such as unsecured loans. In 2019, the terms of 7,003 consumer loans were renegotiated (4,671 in 2018), for an amount of EUR 96.70 million, as were the terms of 1,449 loans to self-employed workers and companies (1,085 in 2018), for EUR 98.59 million. The cumulative figures since 2012 now come to 73,498 consumer loans and 20,466 loans to self-employed workers and companies

## 6. COMMITMENT TO THE ENVIRONMENT

### a. Social contribution

In 2019, Bankia reinforced its social action strategy, methods and priorities so as to uphold its commitment to the realities closest to the Bank.

The social investment strategy focuses on meeting the most urgent needs of the community through an innovative intervention approach that seeks sustainable solutions.

We also continue to localise our social aid on a territorial basis and encourage our people to detect needs and engage in each year's projects.

For the seventh year running, we bolstered job creation as the backbone of all our programmes, supported by local development as a collateral focus. In 2019, we moved forward with the environmental line of action, which grew in budget and scope, and with support for social housing, the "working poor" and the differently abled.

PRIORITY AREAS	2019		2018	
	Investment (euros)	%	Investment (euros)	%
Jobs	981,825	4.4%	938,625	4.32%
Education	3,102,681	14.0%	3,104,681	14.29%
Local development	6,387,327	28.9%	5,819,906	26.78%
Disabilities	2,481,368	11.2%	1,444,622	6.65%
Employee projects	1,691,235	7.6%	2,289,519	10.53%
Housing	3,387,363	15.3%	3,097,356	14.25%
Working poor	73,794	0.3%	168,000	0.77%
Environment	619,331	2.8%	507,000	2.33%
Corporate sponsorship	1,148,846	5.2%	1,698,471	7.82%
Business sponsorship	2,243,839	10.1%	2,664,922	12.26%
<b>Total <sup>1</sup></b>	<b>22,117,608</b>	<b>100.00</b>	<b>21,733,102</b>	<b>100.00</b>

<sup>1</sup> Of the total amount for 2019, EUR 9,628,380 went directly to charities and non-profits. Includes the contribution to the FPDual Foundation. In 2018, the direct contribution was EUR 10,013,983.

	2019	2018
Number of foundations and associations supported by Social Action programmes	846	815
No. of beneficiaries	608,499	600,821

#### Jobs

Job creation and employability is a priority for Bankia's social investment programme. With a total investment of EUR 0.98 million and more than 43,600 beneficiaries, the Bank supported large employability programmes with a range of different special features and classes of beneficiaries.

Bankia built partnerships to achieve the goal - in line with SDG 17 - and to strengthen its support for SDG 8, "decent work and economic growth".

Alongside the Spanish Red Cross, Bankia supported two employment programmes: a retraining programme for people who are still affected by the crisis, which helped provide vocational training to 209 people; and an initiative aimed at people over 45 and supported by European Union funds, with 2,798 beneficiaries.

In 2019, also in partnership with the Red Cross, Bankia launched a new employment programme specifically for women victims of gender-based violence. More than 100 women received support and attended workshops for job-related and personal orientation. Some involved Bankia volunteers who provided financial literacy training.

This group also benefited from programmes run in partnership with the Integra Foundation and the Konecta Foundation. Bankia volunteers were likewise involved. Specifically, the first edition of the Bankia-Konecta Foundation School trained 15 women victims of gender violence. The initiative trained women at risk of exclusion for work at customer service call centres, with an official occupational certificate of successful course completion.

As for the Integra Foundation, Bankia supported programmes for labour market inclusion of ex-convicts, women who have suffered gender violence and people with disabilities.

Projects supported by Bankia focused on promoting employment for vulnerable groups, in line with SDG 5, gender equality.

The Bank also aimed its support for employment at entrepreneurs, with guidance programmes such as the one conducted alongside the SECOT association and, more broadly, Cáritas. In 2019, Cáritas helped more than 1,400 people through guidance, job-finding and business start-up courses.

In a more cross-cutting way and in line with its responsible management approach, for the seventh consecutive year Bankia continued to run a special customer service programme for unemployed customers and their family members in partnership with the Randstad Foundation. Through training, guidance and counselling, *Empleo en Red* has helped 1,493 people since its creation. 693 of them went on to successfully find jobs. In 2019, 86 Bankia customers joined the programme.

	2019	2018
Number of employment and job-finding projects	151	69
Number of direct beneficiaries employment and job-finding projects	43,363 <sup>1</sup>	6,325
Number of customers joining <i>Empleo en Red</i>	86	70
Percentage of customers in <i>Empleo en Red</i> successfully finding work since its creation	46.42%	46%

<sup>1</sup> From 2019, the calculation is made by an independent expert. Whereas formerly the figure would reflect the number of beneficiaries by budget line, the new method itemises the type of project and its beneficiaries.

#### Education: FP Dual

Since the creation of the Fundación Bankia por la Formación Dual in 2016, activity has intensified. In 2019, the foundation cemented its role, and supported almost one hundred new projects. The foundation undertakes four specific lines of action:

##### 1. Support for and improvement of Dual Occupational Training.

This line of action seeks supports dual vocational training and enhances training quality, increases students' employability and helps businesses become more competitive.

Our efforts take the form of public-private initiatives. Programmes and activities involve a range of actors, including government bodies, schools, businesses, Chambers of Commerce and other agents involved in vocational training.

Highlights include:

1. A call for applications for *Dualiza* grants, in partnership with the Asociación de Centros FPempresa. The programme supports vocational training projects involving schools and businesses. Grant awards are made on the basis of innovativeness, local impact, sustainability and knowledge transfer. More than 200 candidacies were received in 2019. Thanks to this initiative, many students had a first experience of the working environment and even a first job offer from their host business.
2. Further training actions to improve the job qualifications of teachers and employability of young people in high-demand industries. Key actions included:



- COMEX programmes: training on economic and financial management of international trade provided to more than 200 students from eight Autonomous Communities.
  - DITEC programmes: training to improve digital competence, with a total of 140 attendees, including students and teachers.
3. Initiatives to promote innovation in the field of occupational training. Highlights include:
    - 2nd edition of the *Dualiza* Challenge in the Community of Madrid, aimed at schools, companies and dual vocational training students, to encourage innovation and an entrepreneurial culture among students, lending higher visibility to the impact of their work on the processes of innovation and continuous improvement at the companies where they train.
    - 1st edition of *24h d'Innovació* in Barcelona, with more than 200 vocational training students in attendance.
    - Call for SANEC bursaries to help vocational training students join top-level biomedical research teams. This year, almost 40 bursaries were awarded to students from the Comunidad Valenciana, Catalonia and Castilla y León.
  4. Pilot projects in strategic sectors: e.g., the first intermediate level training cycle in agricultural production in dual mode, with a focus on pig farming in Castilla y León; a special skills course on cybersecurity for higher level vocational training students in Madrid.
  5. Support for associations, business organisations and Chambers of Commerce that promote occupational and on-the-job training as a way of improving the employability of young people and business competitiveness, especially SMEs and micro-SMEs.

## 2. Support, promotion and awareness

The aim of this line of action is to improve the public perception of vocational training in general and dual training in particular, and to help dispel the prejudice that vocational training is 'second best'.

Key actions included:

- *Dualiza* events: conferences involving vocational training centres and companies, to review the situation of vocational training in a given territory and/or industry - with a special focus on the dual mode - and arrive at specific proposals and suggestions for improvement. Events were held in Albacete, Avila, Burgos, Logroño and Tarragona.
- Dual Vocational Training Fairs: events hosted in partnership with the Spanish Chamber of Commerce. Spaces were available for advice to companies, meeting points between students and businesses ("marketplace"), demonstrating good practices, orientation workshops for students, etc. In 2019, fairs were held in Ceuta, Granada, Ciudad Real and Murcia.
- Hosting of and/or presence at conferences, events and meetings at the regional, national and international levels in connection with vocational training in general and the dual mode in particular. Attendance at the 6th Congress of *FPempresa*, in Gijón; 2nd National Meeting on *FP SUMA*, in Murcia; 1st Congress of *FP Dual*, in Castilla-La Mancha; 5th Forum of the *Alianza para la FP Dual*, in Barcelona; *Difunde FP Dual*, in Valencia; *La Formación + Profesional*, in Salamanca; and 4th Logistic Talent Forum, in Valencia.
- Further development of the corporate website [www.dualizabankia.com](http://www.dualizabankia.com), which was created to encourage discussion and information on vocational training. The website aims to provide a visible forum for all students, teachers and professionals involved in the activities hosted by the Bankia Foundation.

## 3. Research and innovation

Within the Foundation, research and innovation work takes place at our Knowledge and Innovation Centre. The aim is to gain a better understanding of vocational training and encourage debate based on scientific data, in aid of useful and effective decision-making.

Actions this year included research and technical studies on the state of vocational training in Autonomous Communities such as La Rioja or Valencia, a "Research diagnosis of initial vocational training in Spain" to find out how many academic papers on vocational training have been produced in Spain, and "Vocational training and industrial companies in Spain", published with the support of the SEPI Foundation, analysing the weight of vocational training in Spanish industry for the first time.

#### 4. Vocational, academic and personal guidance

We seek to enhance the quality of guidance from a broad-ranging standpoint that embraces academic, occupational and personal perspectives and helps young people choose a career path that makes a good fit with their personal preferences, in the light of recent labour market trends. Our activities include undertaking plans and strategies in partnership with government bodies and producing educational materials on career guidance that raise awareness of vocational training for primary, secondary and sixth-form pupils: for instance, our game "Don't run away from industry" is designed to arouse interest in industry among young people.

#### Local and rural development

Bankia remains committed to proximity and involvement with the community. This is one of our hallmarks, which we implement through our local and rural development line. In partnership with the 11 foundations that gave rise to the Bank, we reached 373 social entities through the calls for applications for social aid that Bankia conducted with each of the foundations in ten Autonomous Communities.

We also support foundations' social and cultural ventures at their own premises, lending them the venues for charity events, and aid for assistance programs, social and cultural initiatives, local enterprise and mitigation of depopulation.

Foundation	No. of projects	No. of beneficiaries
Fundación Montemadrid	79	90,090
Fundación Bancaja	56	20,791
Fundación Caja Rioja	26	4,093
Fundación La Caja de Canarias	35	12,114
Fundación Ávila	26	2,788
Fundación Caja Segovia	22	2,474
Fundación Iluro	11	1,442
Fundación Caja Castellón	41	17,339
CajaGranada Fundación	81	11,380
Fundación Caja Murcia	63	18,359
Fundación Sa Nostra	33	48,142
<b>Total</b>	<b>373</b>	<b>229,012</b>

Besides investing directly in social intervention, Bankia continued to support the *Lo Que De Verdad Importa* foundation's conferences on values aimed at more than 12,000 young people aged 16 to 25, in the form of free certificates of education in values, solidarity and volunteer work.

#### Disability

The strategic focus of our disability aid line is to help the differently abled to achieve a normal situation in society by enhancing their employability and thus contribute to SDG 10, reducing inequality.

A highlight was the *Capaces* call for proposals, in partnership with the Bancaja Foundation. In its sixth edition, it awarded EUR 150,000 to 15 non-profits in the Comunidad Valenciana, five more than in 2018. All the beneficiary non-profits run job-finding and social inclusiveness projects for differently abled people.

The Bank took part in the Randstad foundation's *Integrados* programme: 52 users (unemployed people who have been certified as having a disability of 33% or above) took personalised job-finding courses to help them find work in the general labour market.

Bankia granted EUR 30,000 of aid to the ONCE foundation's *Oportunidad al talento* call for applications, which awards 60 scholarships in a variety of categories: international mobility, master's and postgraduate degrees, studies and sport, doctoral studies and research.

In 2019, Bankia encouraged procurement decision-makers to engage services from Special Employment Centres (where at least 70% of employees are disabled). For instance, we engaged telephone marketing services from Grupo Konecta, premises and building cleaning services provided by GELIM (Grupo ISS) and social and health care support from Alares Social.

The amount billed by these three Special Employment Centres combined came to more than EUR 1.3 million. We have also gradually stepped up our use of direct marketing and event catering services.

	2019	2018
Number of supported NGOs that run programmes for labour integration of people with disabilities	408	36
Investment in NGOs to conduct disability programmes (EUR million)	2.49	1.445
Number of disabled people benefiting from labour integration programmes	172,021	20,832

#### The cross-cutting vector: employee engagement

The hallmark of Social Action at Bankia is the involvement and engagement of all our people.

At the beginning of the year, all our employees are involved in selecting 250 foundations or non-profits. Our divisions and departments then link donations to the extent of achievement of their business targets. The better our results, the larger the donations to our supported charities.

The 250 charities were selected after a poll of 5,982 employees. All our teams met and shared experiences with the non-profits to which they linked their performance, and supported them with more than EUR 1.43 million, as follows:

Bankia employees are offered many opportunities over the year to get involved in the Bank's Social Action through voluntary work, with a special focus on financial literacy and environment-related events. In total, Bankia hosted 175 volunteering days in 2019, which drew more than 930 volunteers.

Voluntary work involves different areas of the Bank and is very varied:

- Calls for proposals: employees sit on local juries for calls for proposals.
- *Empleo en Red*: a job-finding programme for unemployed customers.
- *Planta tu Proyecto*: veteran volunteers submit applications for financial aid on behalf of non-profits of which they are members. Last year, five non-profits were selected, for total aid worth EUR 50,000.
- *Voluntariado en Red*: employees organise volunteering events to involve other Bank people, with financial aid from the Bank. In 2019, 18 conferences were successfully sponsored; Bankia provided support of EUR 9,000.
- Charitable sports: We provide financial aid to sports teams that take part in charitable tournaments. This year, 16 sports events were held, involving 174 volunteers.
- Donations of equipment and computers to non-profits sponsored by employees.
- Responsible service procurement: employees across different Bank areas and activities are encouraged to seek bids for services from providers who support labour inclusiveness.

	2019	2018
Number of beneficiaries of voluntary work	17,087	30,558

Bankia met its targets for engagement of its network of people and branches in the Bank's Social Action, in an approachable and grass-roots way. New challenges await us in future in connection with our environmental commitment. We shall support projects that aid innovation and sustainable development.

The Bank now faces the challenge of getting employees even more closely involved in 2020 by reinforcing our volunteering and financial literacy programs through Bankademia. Furthermore, to ensure all our social investments are traceable and transparent, we shall continue to measure the impact of the projects we support as a further boost to those initiatives and their goals.

### Housing

In 2019, Bankia kept housing stock available for vulnerable people who were provided with means-tested social leases on terms adapted to their ability to pay. During the past year, the Bank signed 377 means-tested social leases<sup>1</sup>. Total means-tested protected housing leases came to 3,766.

The Bank earmarks a significant budget for repair and maintenance of protected housing so that the homes remain in good condition, thereby lowering the cost for tenants. The Bank allocated EUR 3.29 million to maintain the protected housing programme, covering the cost of housing maintenance and repairs.

Bankia has agreements in place to speed up protected housing award processes in Madrid, Castilla-La Mancha, the Canary Islands, Catalonia, Valencia and La Rioja. Agreements with local authorities help improve the process of awarding housing to households through social services.

### Environment

In line with our goals, we bolstered our environmental spending strategy to support innovation, sustainable development, biodiversity protection and climate action projects.

In 2019, we increased our environmental budget by 22 % and published our first calls for environmental proposals in Valencia, Comunidad de Madrid and Castilla La Mancha. As a result of these calls for proposals, aid was awarded to 22 entities for widely diverse projects: some had a direct environmental impact, such as the conservation of native terrapins and repopulation of the Turia River Natural Park (Valencia); others related to environmental education and mitigation of environmental impact at universities in Madrid; while others were tied to innovation and development efforts.

Bankia selected and helped execute environmental and sustainable development projects with all our foundations of origin, including initiatives for the circular economy and territorial stewardship.

As a new initiative, in 2019 Bankia set up an environmental emergency line: it was used in the course of two of the most serious crises arising that year in Spain. First, the severe fire on the island of Gran Canaria in August, for which a partnership was formed of three entities, Foresta, Red Cross and SEO Birdlife, to help restore a total of 10 hectares in the most affected areas by planting 5,000 trees. Secondly, the torrential rains that hit Murcia, the south of the Valencia region and Castilla-La Mancha in September 2019.

For the second year in a row, Bankia helped address another great climate-related crisis in the Tablas de Daimiel natural park, with WWF Adena, to restore 60 hectares of forest and wetlands.

These contribute to SDG 13 Climate Action.

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<sup>1</sup> 108 protected homes rented under the regional Catalan Ley 4/2016.

Sponsorships

Bankia is involved in a range of projects in support of the community from a cultural, sporting and business perspective:

Cultural sponsorship	Sports sponsorship	Business sponsorship
<ul style="list-style-type: none"> <li>- Orquesta Sinfónica de Bankia</li> <li>- <i>Bankia Escolta València</i></li> <li>- Gran Teatro Bankia Príncipe Pío</li> <li>- Feria del Libro de Madrid (Madrid Book Fair)</li> <li>- <i>Las Edades del Hombre</i></li> </ul>	<ul style="list-style-type: none"> <li>- Youth sports: Club de Baloncesto Gran Canaria, Valencia Basket, Club de Baloncesto Óbila, CB Estudiantes, CB Granada, Joventut de Badalona, TAU Castellón, UCAM Murcia, CB B The Travel Brand Mallorca, Club El Pozo Fútbol Sala, Bathco-Fusodeba youth rugby teams and Rugby Pozuelo.</li> <li>- Charitable “triples” contest involving the A teams of Valencia Basket, CB Gran Canaria and CB Estudiantes.</li> <li>- Charitable match against CB Gran Canaria to support the Food Bank.</li> <li>- Charitable match against CB Gran Canaria to support the Food Bank.</li> <li>- Sponsorship of the Sierra Nevada ski school adapted for the differently abled.</li> <li>- Women in Black (Estudiantes)</li> <li>- Pilota Valenciana.</li> </ul>	<ul style="list-style-type: none"> <li>- Fairs: Fenavin, Fuit Attraction, ExpOliva</li> <li>- Forums and conferences:</li> <li>-</li> <li>- <i>Premios Éxito Empresarial, Premio In4NBankia, Premios Competitividad Digital, Premios Innobankia, Premios Tu Economía, Premios Comprendedor, Premios Andaluces del Futuro, Premios Talento Joven</i></li> <li>- <i>Bankia Forward.</i></li> </ul>

## b. Direct environmental impact

Bankia shows its commitment to sustainability in its business model and works to achieve growth with full respect for the environment. To do so, it mainstreams environmental management in the organisation's decision-making, aligning it with its business strategy and including environmental governance in its overall management. Our environmental policy involves:

- Commitment in the fight against climate change
- Professionalism in employee training and awareness-raising
- Achievement orientation, seeking continuous improvement of environmental management and establishing specific targets and systems of indicators
- Integrity based on transparent action
- Closeness to suppliers, so as to involve them in joint management of environmental challenges and opportunities.

In line with this commitment to the environment, in 2017, Bankia's Responsible Management Committee approved the 2017-2020 Eco-efficiency and Climate Change Plan. The plan sets out the pathway towards carbon neutrality (scope 1 and 2) by 2020.

The plan is structured based on six lines of strategic action, each of which, in turn, is designed to achieve specific quantitative and qualitative objectives:

- Increase to seven the number of Bankia's emblematic buildings with an environmental management system certified to the ISO 14001:2015 standard.
- Reduce greenhouse gas emissions by 20%, through policies and investments that favour direct reduction, as well as offsetting unavoidable emissions.
- Achieve a 19% decrease in energy consumption and a 5% reduction in the consumption of water, paper and toner.
- Reduce waste generation by 5% and search for new alternatives to the main types of waste generated by the Bank within the context of the circular economy.
- Promote environmental protection and transition towards a low-carbon economy via sustainable procurement of goods and services.
- Spread a culture of environmental commitment across the organisation through environmental training and awareness-raising.

	2019	2018
Total environmental expenditure in 2019 for implementation of the Eco-efficiency and Climate Change Plan 2017 - 2020 (EUR million)	7.6	6.3

Within the framework of the Eco-efficiency and Climate Change Plan, the following progress was achieved in 2019:

Five of Bankia's buildings are certified for their environmental management systems. In 2019, the Bank achieved ISO 14001:2015 certification for the building located at calle Miguel Villanueva, 9, Logroño. This certification comes in addition to those already held for the buildings at Pintor Sorolla, 8 in Valencia, Paseo de la Castellana, 189, and in Las Rozas in Madrid and Triana, 20 in Las Palmas. Moreover, the latter three have noise assessments as a measure to manage noise pollution in carrying out the business. Issues related to noise pollution are not considered material in the bank's operations. These certifications expire on 31 May 2021.

One of the key targets under the plan is a 20% reduction in carbon emissions by 2020. Despite the fact that integration with BMN raised our footprint overall (as the scope of managed sites widened), Bankia worked on corrective measures to reverse this trend. Hence in 2019 we achieved significant reductions in carbon emissions of up to 40% through actions such as:

- Switching electricity subscriptions at former BMN sites, which from April 2018 onwards started to use certified green electricity, thus saving 2,419 t of carbon emissions..Since 2013, Bankia uses electricity from 100% renewable energy sources in its buildings and branch network.
- In 2018, due to the process of integration with BMN, business travel emissions increased considerably. However, in 2019 this trend slowed down, and we achieved a 19.8% reduction in emissions, thanks to measures such as:
  - o New technologies at all workstations so that employees can communicate by videocall and give presentations online, without having to travel.
  - o Hybrid fleet vehicles: 86% of the vehicles in Bankia's pool are hybrids with low carbon emissions.
  - o Specific campaigns via the intranet promoting alternatives to the use of private vehicles as a means of transport.
- Innovative technologies such as co-generation systems attached to climate control equipment, thus reducing carbon emissions by 63.4 t as a result of lower natural gas consumption.

Bankia was awarded the Ministry for Ecological Transition's Calculo/Compenso seal (for 2016, 2017 and 2018) for calculating and offsetting its carbon footprint. In addition, Bankia already voluntarily registered its carbon footprint for 2014 and 2015, which was recognised with the Calculo seal.

In 2019, the Bank offset 51.4% of its carbon emissions (scope 1 and 2) by acquiring carbon credits from the Spanish Refo-resta CO2 project, which is included in the Ministry's Carbon Footprint, Offsetting and Carbon Capture Projects Register, and by two international projects with Gold Standard guarantees.

These accolades and projects underscore Bankia's commitment in the area of climate change, confirming the effectiveness of the measures taken in recent years to minimise greenhouse gas emissions and help to achieve the UN's Sustainable Development Goals.

In 2019, Bankia specified its internal strategy for setting an internal carbon price for 2020. Setting this price will be an essential tool for further reducing our carbon footprint, mitigating risks and identifying climate-related opportunities to prepare the Bank for a low-carbon economy.

Given the type of operations carried out by the entity and the location of all Bankia's work centres in urban areas, the potential impact on protected areas or the probability of damaging biodiversity in carrying out its operations is not considered material for the bank. In any event, the comply with potential legal responsibilities arising from its operations, Bankia has a civil liability policy for branches that covers accidental pollution. The policy covers claims up to EUR 30 million

Bankia's efforts have made it into a green company and a world leader in this domain, as recognised by the analysts of CDP Climate Change with the highest possible rating (A-).

#### Eco-efficiency

In 2019, the Bank invested over EUR 7.6 million to enhance the efficiency of its facilities. Thus, for example, continuing with the plan to replace climate control systems in offices, more than 119 units were replaced, bringing significant energy savings and avoiding 508.7 t of carbon emissions in the form of refrigeration gas leakage.

To reduce paper consumption, paper correspondence with digital customers was eliminated, with efforts going to boost use of the digital signature. Double-sided printing and personalised printing at head office have become general policies throughout the Bank.

#### Waste management

With efforts under way in Europe to promote the circular economy for the reuse of waste, Bankia continued with its furniture, electrical and electronic equipment, and office material donation campaigns, supporting social non-profits and schools. The Bank believes these donations are an important contribution to the charity work of non-profits and prevent the generation of waste.

Bankia's waste reclaim projects include recycling writing materials – ballpoint pens, mechanical pencils and highlighters. Plastics and metals are extracted from these office materials and given a second life by

reintroducing to the economy as another input material. They can be used to manufacture elements street furniture, for instance.

Another of Bankia's projects in this area is selective collection of plastic stoppers and caps for a twofold purpose: environmental, via recycling, and social, by supporting the Phelan-McDermid Syndrome Association for children suffering from this rare disease. In 2019 a volume of 790 kg has been collected, or approximately 790,000 plastic caps.

Besides recycling plastic and metal, in 2019 the Bank launched an initiative to sort and compost pruning waste at the Las Rozas site, transforming this waste into fertiliser for the facility's own gardens. Implementing actions to combat food waste is not a material issue for the bank, so no initiatives are under way considered significant.

#### Sustainable procurement

In 2019, Bankia gained a deeper understanding of the environmental impact associated with its value chain.

To encourage suppliers with the greatest environmental impacts to collaborate more, Bankia hosts training and awareness-raising workshops. The sessions cover environmental regulations and management information and discuss best practices.

#### Environmental awareness

Bankia runs a specific section on the environment in *Somos Bankia* magazine. This specific in-house communication outlet provides practical environmental information to all Bank employees. Among other topics, in 2019 we looked at efficient water use, the circular economy, energy savings and climate change.

#### Alliances and initiatives

Bankia believes it is vital to become involved in domestic and international initiatives and forge alliances to raise environmental awareness and share experiences, successes and concerns in the fight against climate change and in biodiversity conservation. Key alliances include:

- Spain: The Bank is a member of the Climate Change Cluster of *Forética*, the Spanish Green Growth Group, and the Spanish Platform for Climate Action, and continues to be a strategic ally of the Climate Community promoted by the ECODES foundation. In 2019, at the COP25 climate summit, the Bank signed a collective agreement for Climate Action in the banking sector, sponsored by the Spanish Banking Association (AEB) and CECA, in line with commitments made within the UN.
- Internationally: Bankia was one of the 30 financial institutions that signed the Collective Commitment to Climate Action promoted by the UN and embedded in the Principles of Responsible Banking. At the European Union level, Bankia adhered to the European CEOs' undertaking titled A New Deal for Europe, which calls for a global strategy towards a sustainable Europe by 2030 and for rising to the challenge of climate change.

The Bank participates in initiatives such as Earth Hour, promoted by the WWF, and RE100, created by CDP and The Climate Group to bring together the world's most influential companies that are committed to renewable energy.

Since July 2019, the Bank is a member of the World Bank's Advisory Group for Article 6, created specifically for the 'Climate Markets' project, which aims to implement an international carbon market in accordance with Article 6 of the Paris Agreement.

One of the technologies being considered and developed is blockchain. Progress achieved by Bankia in blockchain technology and our project for tokenisation of carbon emissions using the Stockmind platform aroused the interest of the World Bank, prompting it to invite Bankia to join the Advisory Group and share experience in this field.



### Challenges for 2020

The environmental challenges for 2020 include: the targets of the Eco-Efficiency and Climate Change Plan, including environmental certification of two new sites; extension of environmental training to employees who joined Bankia as a result of the latest merger and integration; and direct carbon footprint (scope 1 and 2) neutrality through reduction and offset (for unavoidable emissions). We shall continue to work on implementing our internal carbon pricing strategy and gaining a better understanding of our scope 3 emissions.

### Environmental indicators

#### Consumption of materials <sup>1</sup>

	2019	2018	2017	2016
Recycled paper (DIN A4) (t) <sup>2</sup>	627.52	869.97	736.92	651.39
White paper made from virgin pulp with a low environmental impact (DIN A4) (t) <sup>3</sup>	1.59	1.83	1.66	1.55
% of consumption of paper produced using ECF-certified virgin pulp (DIN A4)	100%	100%	100%	100%
% of paper used that is recycled (DIN A4)	99.75%	99.79%	99.77%	99.76%
Consumption of printer cartridges (units)	14,417	20,084	13,871	15,057
Percentage of printer cartridges used that are recycled	6.98%	12.48%	24.34%	88.38%

1. Data for Bankia, S.A.

2. Recycled paper has the following guarantees: European Ecological Label, Ángel Azul and CradletoCradle (Silver).

3. Paper supplied by manufacturers with FSC and PEFC certifications, which guarantee materials used come from sustainably-managed forests.

#### Energy and water consumption <sup>1</sup>

	2019	2018	2017	2016
Total water consumption (cubic metres) <sup>2</sup>	317,490.8	464,393.0	240,537.5	244,516.0
% of electricity acquired from renewable energy sources (green energy)	100%	94.27%	100%	100%
Total primary energy consumption (GJ)	13,181	19,566	15,580	15,550
Total natural gas consumption (GJ) <sup>3</sup>	9,344	15,501	10,465	10,841
Total liquid fuel (diesel and petrol) consumption (GJ)	3,837	4,065	5,115	4,709
Total electricity consumption (GJ) <sup>4 5</sup>	357,357	381,152	312,950	26,127

1. Data for Bankia, S.A.

2. Total water supplied by mains networks. Actual consumption for the Las Rozas, P. Castellana, 189 buildings in Madrid, the Pintor Sorolla building in Valencia, Triana 20 in Las Palmas, Miguel Villanueva 9 in Logroño, the El Cubo building in Granada and the General Salzillo building in Murcia. Other facilities: Consumption estimated based on bills.

3. Figures for gas consumption in 2018 and 2019 include a new building (El Cubo in Granada) in Bankia's scope following the integration of BMN.

4. 100% of the electric energy acquired comes from renewable energy sources (green energy with guarantees of origin). The BMN offices were added to Bankia's green energy supply contract in April 2018.

5. The 2018 figure has been corrected: the information was originally published based on an estimate of consumption in the last quarter due to a change of supplier.

Emissions (tCO<sub>2</sub>)<sup>1</sup>

	2019	2018	2017	2016
<b>Scope 1 emissions (Total)</b> <sup>2 3</sup>	<b>3,527.8</b>	<b>4,364.0</b>	<b>4,545.7</b>	<b>4,448.5</b>
Direct CO <sub>2</sub> e emissions from natural gas consumption	534.2	886.2	595.2	616.6
Direct CO <sub>2</sub> e emissions from fuel consumption	246.8	265.1	354.3	316.8
Direct CO <sub>2</sub> e emissions from refrigerant gas recharging	2,103.0	2,611.8	2,914.5	2,810.1
Direct CO <sub>2</sub> e emissions from business travel <sup>4</sup>	643.8	600.9	681.7	705.0

1. Data for Bankia, S.A. In 2018, Bankia integrated Banco Mare Nostrum. This resulted in a general increase in CO<sub>2</sub> emissions due to the larger number of offices and buildings managed, and in the total number of employees. However, Bankia is working on corrective measures to reverse this trend since the integration. The result of these efforts is shown in this table.
2. Sources of emissions factors used: GHG Inventory Report 1990-2017 (2019), DEFRA 2019, Carbon Footprint, Offset and Carbon Dioxide Absorption Project Register. MITECO 2019; GHG emissions calculation guide (2019) - Catalan Office for Climate Change, and *Carbon Impact Studies: Toner Refills at Cartridge World – Comparative Carbon Footprints* (2008).
3. Figures based on the 100-year global warming potentials published in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2013).
4. Includes emissions from employees' business travel in lease vehicles. In 2017, following the criteria laid by MITECO for the registration of Bankia's carbon footprint, these emissions were reclassified from Scope 3 to Scope 1.

	2019	2018	2017	2016
<b>Scope 2 emissions (Total)</b>	<b>0.0</b>	<b>2,418.7</b>	<b>0.0</b>	<b>0.0</b>
Indirect CO <sub>2</sub> e emissions from electricity consumption <sup>1</sup>	0.0	2,418.7	0.0	0.0

1. In 2019, 100% of the electric energy acquired comes from renewable energy sources (green energy with guarantees of origin). Bankia has prevented the emission of 40,699 tonnes of CO<sub>2</sub>. Source: Sistema de Garantía de Origen y Etiquetado de la Electricidad (Electricity Labelling and Source Guarantee System) (2018). National Markets and Competition Commission.

	2019	2018	2017	2016
<b>Scope 3 emissions (Total)</b>	<b>3,717.0</b>	<b>5,326.0</b>	<b>4,001.2</b>	<b>3,866.5</b>
Indirect CO <sub>2</sub> e emissions from business travel <sup>1</sup>	2,689.8	3,353.7	2,352.0	2,366.5
Indirect CO <sub>2</sub> e emissions from commutes (Ofibus shuttle service)	324.4	300.2	298.2	294.4
Indirect CO <sub>2</sub> e emissions from commutes (shared transport)	7.5	8.1	7.9	8.2
Indirect CO <sub>2</sub> e emissions from consumption of paper (DIN A4) and printer cartridges	559.9	1,481.8	1,236.5	1,087.1
Indirect CO <sub>2</sub> e emissions from water consumption	116.1	159.7	82.7	84.1
Indirect CO <sub>2</sub> e emissions from waste management	19.3	22.5	23.9	26.2

1. This includes emissions from employees' business trips by plane, train, coach and ship, and from employees' travel in their own vehicle for work purposes.

	2019	2018	2017	2016
<b>Other emissions<sup>7</sup></b>				
CO emissions	0.16	0.24	0.19	0.19
NOx emissions	1.19	1.82	1.40	1.41

1. Source: CORINAIR 2007.

Waste management (Tn) <sup>1</sup>

Non-hazardous waste sent for reuse and/or recycling	2019	2018	2017	2016
Paper waste	454.56	596.80	613.93	688.99
Electronic waste	384.45	370.73	419.01	498.32
Toner waste	36.19	51.21	35.37	38.39
Battery waste	0.00	0.00	0.10	0.21
Packaging waste	29.95	33.17	26.91	19.75
Glass waste	0.88	0.89	0.86	0.46
Vegetable oil waste	0.03	0.05	0.06	0.05

NON-HAZARDOUS WASTE SENT TO LANDFILL	2019	2018	2017	2016
Portable electronic device waste	0.00	0.09	0.67	0.06

Hazardous waste generated	2019	2018	2017	2016
Hazardous waste handled by an authorised waste management company and recycled	0.703	0.10	0.53	0.65
Hazardous waste handled by an authorised waste management company and sent to a secure landfill	0.004	0.02	0.04	0.03

1. Data for Bankia, S.A.

## APPENDIX I

Table of contents required under Law 11/2018, of 28 December, amending Spain's Code of Commerce, the consolidated text of the Corporate Enterprises Act, enacted by Legislative Royal Decree 1/2010, of 2 July, and Spain's Audit Act (Law 22/2015), regarding the disclosure of non-financial and diversity information.

### General issues

Contents		Reporting criteria	Chapter reference	Comments / reason for omission
Business model	Description of the business model <ul style="list-style-type: none"> <li>– Geographical presence</li> <li>– Organisation and structure</li> <li>– Markets served</li> <li>– Objectives and strategies</li> <li>– Key factors and trends that affect future performance</li> </ul>	GRI 102-2	-Strategy -Customer focus: • Business model  11	
Key risks and impacts identified	Risk management	GRI 102-15	- Strategy: • 2019-2020 RMP -Responsible banking • Sustainable financing • Human rights - Robust and secure: • Risk management	
	Assessment of risks and impacts related to key topics	GRI 102-44	- Strategy: • 2019-2020 RMP -Responsible banking • Sustainable financing • Human rights - Robust and secure: • Risk management	

### Environmental issues

Contents		Reporting criteria	Chapter reference	Comments / reason for omission
Environmental management	Current and foreseeable effects of the company's operations	Internal framework: qualitative description of current and foreseeable impacts of the company's operations	-Commitment to the environment: • Direct environmental impact	
	Environmental assessment or certification procedures	Internal framework: qualitative description of the environmental assessment or certification procedures	-Commitment to the environment: • Direct environmental impact	

	Resources dedicated to the prevention of environmental risks	Internal framework: qualitative description of the resources allocated to preventing environmental risks.	-Commitment to the environment: • Direct environmental impact	
	Application of the precautionary principle	GRI 102-11	-Commitment to the environment: • Direct environmental impact	
	Amount of provisions and safeguards for environmental risks	Internal framework: qualitative description of the amount of provisions and guarantees for environmental risks.	- Commitment to the environment: • Direct environmental impact	
Pollution	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	Internal framework: qualitative description of measures to prevent, reduce or repair carbon emissions.	- Commitment to the environment: • Direct environmental impact	
Circular economy and waste prevention and management	Waste prevention, recycling and reuse measures and other forms of waste recovery and disposal	GRI 306-2	- Commitment to the environment: • Direct environmental impact: Waste management	
	Actions to combat food waste	Internal framework: qualitative description of actions to prevent food waste.	- Commitment to the environment: • Direct environmental impact: Gestión de residuos e Indicadores medioambientales	
Sustainable use of resources	Responsible water consumption and supply based on local restrictions	GRI 303-5	- Commitment to the environment: • Direct environmental impact: Environmental indicators	
	Consumption of raw materials and measures taken to make more efficient use of them	GRI 301-1	- Commitment to the environment: • Direct environmental impact: Environmental indicators	
	Direct and indirect energy consumption	GRI 302-1	- Commitment to the environment: • Direct environmental impact: Environmental indicators	
	Measures in place to improve energy efficiency	Internal framework: qualitative description of measures in place to improve energy efficiency.	- Commitment to the environment: • Direct environmental impact: Eco-efficiency	
	Use of renewable energies	Internal framework: qualitative description of the use of renewable energies.	- Commitment to the environment: • Direct environmental impact: Environmental indicators	

Climate change	Material aspects relating to the greenhouse gas emissions generated	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-6 GRI 305-7	- Commitment to the environment: • Direct environmental impact: Environmental indicators	
	Measures in place to adapt to the consequences of climate change	Internal framework: qualitative description of measures taken to adapt to the consequences of climate change	- Responsible banking • Sustainable financing  - Commitment to the environment: • Direct environmental impact	
	Voluntary reduction targets	Internal framework: qualitative description of voluntary reduction targets.	- Commitment to the environment: • Direct environmental impact	
Protection of biodiversity	Measures in place to preserve or restore biodiversity	Internal framework: qualitative description of measures in place to preserve or restore biodiversity.	- Commitment to the environment: • Direct environmental impact	
	Impacts caused by activities or operations in protected areas	GRI 304-2	- Commitment to the environment: • Direct environmental impact	

## Social and employee-related matters

	Contents	Reporting criteria	Chapter reference	Comments / reason for omission
Employment	Total number of employees and distribution by gender, age, country and professional category	GRI 102-7	- Responsible banking • People and talent management: Employment indicators	
	Total number and distribution of types of employment contract	GRI 102-8	- Responsible banking • People and talent management: Employment indicators	
	Average annual number of permanent, temporary and part-time contracts by gender, age and professional category,	Internal framework: qualitative description of average of contracts and breakdowns.	- Responsible banking • People and talent management: Employment indicators	
	Number of dismissals by gender, age and professional category	Internal framework: qualitative description of number of dismissals and breakdowns.	- Responsible banking • People and talent management: Employment indicators	
	Gender pay gap	Internal framework: description of gender pay gap at the company.	- Responsible banking • People and talent management: Remuneration policy	

	Average remuneration by gender, age and professional category	Internal framework: qualitative description of average remuneration of employees by gender, age and professional category.	- Responsible banking • People and talent management: Remuneration policy	
	Average remuneration of directors, by gender	GRI 102-35	- Responsible banking • Corporate governance: Board remuneration	
	Average remuneration of executives, by gender	GRI 102-35	-Responsible banking • People and talent management: Remuneration policy	
	Implementation of policies on disconnecting from work	Internal framework: qualitative description of the implementation of policies on disconnecting from work.	-Responsible banking • People and talent management: Work-life balance and measures to ensure a suitable sharing of responsibilities between both parents	
	Employees with disabilities	GRI 405-1	-Responsible banking • People and talent management: Measures for the integration and universal access of people with disabilities	
Work organisation	Organisation of working time	Internal framework: qualitative description of the organise on working time	-Responsible banking • People and talent management: Work-life balance and measures to ensure a suitable sharing of responsibilities between both parents	
	Number of hours of absenteeism	Internal framework: qualitative description of number of hours of absenteeism.	-Responsible banking • People and talent management: Health and safety	
	Measures aimed at improving the work-life balance and to ensure a suitable balance between both parents	GRI 401-2 GRI 401-3	-Responsible banking • People and talent management: Work-life balance and measures to ensure a suitable sharing of responsibilities between both parents	
Health and safety	Health and safety conditions in the workplace	Internal framework: qualitative description of health and safety conditions in the workplace	-Responsible banking • People and talent management: Health and safety	
	No. of work-related injuries and illnesses by gender, their frequency and seriousness	GRI 403-2	-Responsible banking • People and talent management: Health and safety	

Social relations	Organisation of social dialogue, including procedures for informing and consulting with staff and negotiating with them	Internal framework: Qualitative description of the organisation of social dialogue	-Responsible banking • People and talent management: Labour agreements, collective bargaining and freedom of association	
	Percentage of employees covered by collective bargaining agreements, by country	GRI 102-41	- Responsible banking • People and talent management: Key people indicators	
	Description of collective bargaining agreements, particularly in the field of occupational health and safety	GRI 403-4	- Responsible banking • People and talent management: Key people indicators	
Training	Policies put in place in relation to training	GRI 404-2	-Responsible banking • People and talent management: 2019 Training plan	
	Total number of training hours by job category	Internal framework: qualitative description of total hours of training, by professional category	-Responsible banking • People and talent management: 2019 Training plan	
Universal accessibility for people with disabilities		GRI 405-1	• Marco interno: descripción cualitativa de medidas sobre accesibilidad universal de las personas con discapacidad	
Equality	Measures put in place to foster equal treatment and opportunities for women and men	Internal framework: qualitative description of measures adopted to promote equal treatment and opportunities among men and women.	-Responsible banking • People and talent management: Equality and diversity	
	Equality plans and measures taken to promote employment, protocols to combat sexual and gender-based harassment	Internal framework: qualitative description of equality plans.	-Responsible banking • People and talent management: Equality and diversity	
	Integration and universal accessibility for persons with disabilities	GRI 405-1	-Responsible banking • People and talent management: Measures for the integration and universal access of people with disabilities	
	Anti-discrimination policy and, where applicable, diversity management policy	Internal framework: qualitative description of anti-discrimination policies	-Responsible banking • Ethics and integrity • People and talent management: Equality and diversity	



## Information on respect for human rights

Contents	Reporting criteria	Chapter reference	Comments / reason for omission
Implementation of human rights due diligence processes	GRI 102-16 GRI 102-17	-Responsible banking • Human rights	
Prevention of risks of human rights violations and, where applicable, measures to mitigate, management and redress any such violations;	GRI 102-16 GRI 102-17	-Responsible banking • Ethics and integrity • Human rights • People and talent management • Responsible purchasing  -Customer focus • Accessibility and financial inclusion • Appropriate management of non-performing loans  -Commitment to the environment: • Social contribution	
Reports of human rights violations	Internal framework: qualitative description of reports of human rights violations	Responsible banking • Ethics and integrity: Reinforcement of the confidential whistleblowing channel	
Promotion of and compliance with provisions in the International Labour Organization's fundamental conventions on respect for freedom of association and the right to collective bargaining; the elimination of job and workplace discrimination; the elimination of forced or compulsory labour; and the effective abolition of child labour	GRI 407-1 GRI 408-1 GRI 409-1	- Responsible banking • Ethics and integrity • Human rights • People and talent management	

## Information on the fight against corruption and bribery

Contents	Reporting criteria	Chapter reference	Comments / reason for omission
Measures to prevent corruption and bribery	GRI 102-16 GRI 102-17 GRI 205-2	-Robust and secure: • Internal control and compliance  -Responsible banking • Ethics and integrity	
Anti-money laundering measures	GRI 205-2	-Robust and secure: • Internal control and compliance	
Contributions to foundations and not-for-profit associations	Internal framework: qualitative description of contributions to foundations and not-for-profit associations	-Commitment to the environment: • Social contribution	

## Social commitment

	Contents	Reporting criteria	Chapter reference	Comments / reason for omission
Commitments of the company to sustainable development	Impact of the company's operations on local employment and development	Internal framework: qualitative description of the impact of the company's operations on local employment and development	Customer focus: <ul style="list-style-type: none"> <li>• Business model</li> </ul> -Commitment to the environment: <ul style="list-style-type: none"> <li>• Social contribution</li> </ul>	
	Impact of the company's operations on local populations and territories	Internal framework: qualitative description of the impact of the company's operations on local populations and territories	Customer focus: <ul style="list-style-type: none"> <li>• Business model</li> <li>• Accessibility and financial inclusion</li> </ul> -Commitment to the environment: <ul style="list-style-type: none"> <li>• Social contribution</li> </ul>	
	Relationships with key members of local communities and the various forms of engaging them	GRI 102-43	-Strategy <ul style="list-style-type: none"> <li>• 2019-2020 RMP</li> </ul> -Responsible banking <ul style="list-style-type: none"> <li>• Transparency of information</li> </ul> -Commitment to the environment: <ul style="list-style-type: none"> <li>• Social contribution</li> </ul>	
	Association or sponsorship actions	GRI 102-12 GRI 102-13	-Commitment to the environment: <ul style="list-style-type: none"> <li>• Social contribution</li> </ul>	
Subcontracting and suppliers	Inclusion of social, gender equality and environmental concerns in the procurement policy	GRI 308-1 GRI 414-1	-Responsible banking <ul style="list-style-type: none"> <li>• Responsible purchasing</li> </ul>	
	Consideration of social and environmental responsibility concerns in relations with suppliers and subcontractors	GRI 308-1 GRI 414-1	-Responsible banking <ul style="list-style-type: none"> <li>• Responsible purchasing</li> </ul>	
	Supervision and audit systems and the results of those systems	Internal framework: qualitative description of supervision and audit systems and the results of those systems	-Responsible banking <ul style="list-style-type: none"> <li>• Responsible purchasing</li> </ul>	
Consumers	Consumer health and safety measures	Internal framework: qualitative description of consumer health and safety measures	-Robust and secure: <ul style="list-style-type: none"> <li>• Internal control and compliance</li> </ul> -Customer focus: <ul style="list-style-type: none"> <li>• Responsible marketing</li> </ul>	

	Complaint systems	Internal framework: qualitative description of complaint systems.	Customer focus: <ul style="list-style-type: none"> <li>• Responsible marketing</li> </ul>	
	Complaints received and their resolution	Internal framework: qualitative description of complaints received and their resolution	Customer focus: <ul style="list-style-type: none"> <li>• Responsible marketing</li> </ul>	
Tax information	Country-by-country earnings	Internal framework: qualitative description of country-by-country earnings	-Robust and secure: <ul style="list-style-type: none"> <li>• Tax commitment</li> </ul>	
	Income tax paid	Internal framework: qualitative description of income tax paid	-Robust and secure: <ul style="list-style-type: none"> <li>• Tax commitment</li> </ul>	
	Public assistance and aid received	Internal framework: qualitative description of public assistance and aid received.	<p>This information is included in Note 1.2 to the Bankia Group's 2019 consolidated financial statements. In 2012, several capital management actions were carried out and public aid was received, after which the Fund for Orderly Bank Restructuring (FROB) became BFA's sole shareholder. Then, on 28 November 2012, the BFA-Bankia Group received approval from the European Commission, the Bank of Spain, and the FROB for its 2012-2017 Restructuring Plan. As at 31 December 2017, the Group had completed the measures and commitments set out in the Restructuring Plan</p> <p>-Robust and secure: <ul style="list-style-type: none"> <li>• Tax commitment</li> </ul> </p>	

## APPENDIX II

### GRI content

The scope of the independently reviewed non-financial information in this report is based on the comprehensive option of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the GRI supplement for the Financial Services sector.

GRI STANDARD	CONTENT	REFERENCE	Comments / reason for omission	
GRI 102: GENERAL DISCLOSURES	ORGANIZATIONAL PROFILE			
	GRI 102-1	Name of the organization	Bankia, S.A.	
	GRI 102-2	Activities, brands, products, and services	Customer focus: - Business model	
	GRI 102-3	Location of headquarters	Pintor Sorolla, 8. 46002 Valencia	
	GRI 102-4	Location of operations	Bankia carries out all its banking operations in Spain.  Customer focus: - Business model	
	GRI 102-5	Ownership and legal form	Bankia is on file at the Valencia Companies Register, Tome 9.341, Book 6.623, Folio 104, Sheet V-17.274. It is a credit institution under the supervision of the Bank of Spain and is included in the Bank of Spain-s Administrative Register under BE code 2038 and BIC code CAHMESMMXXX	
	GRI 102-6	Markets served	Customer focus: - Business model	
	GRI 102-7	Scale of the organization	Soundness and security: - Solvency and liquidity  Responsible banking - People and talent management: • Employment indicators	
	GRI 102-8	Information on employees and other workers	Responsible banking - People and talent management: • Employment indicators	
GRI 102-9	Supply chain	Responsible banking - Responsible purchasing		

GRI 102-10	Significant changes to the organization and its supply chain	Responsible banking - Corporate governance: • Management Committee
GRI 102-11	Precautionary Principle or approach	Commitment to the environment  Strategy: - 2019-2020 RMP  Robust and secure - Tax commitment
GRI 102-12	External initiatives	Responsible banking: - People and talent management • Equality and diversity  Commitment to the environment: - Direct environmental impact • Alliances and initiatives  Strategy: - 2019-2020 RMP  Robust and secure - Tax commitment
GRI 102-13	Membership of associations	Responsible banking: - People and talent management • Equality and diversity  Commitment to the environment: - Direct environmental impact • Alliances and initiatives

## STRATEGY

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GRI 102-14	Statement from senior decision-maker	Forward: - Letter from the Chairman  Robust and secure: - Tax commitment - Risk management
GRI 102-15	Key impacts, risks, and opportunities	Responsible banking: - Sustainable financing - Human Rights - Responsible purchasing  Customer focus: - Responsible marketing - Accessibility and financial inclusion - Appropriate management of non-performing loans  Commitment to the environment:

## ETHICS AND INTEGRITY

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GRI 102-16	Values, principles, standards, and norms of behavior	Responsible banking - Ethics and integrity
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GRI 102-17	Mechanisms for advice and concerns about ethics	<p>Responsible banking: - Corporate governance: • Corporate governance system - Ethics and integrity</p> <p>Customer focus: - Responsible marketing</p>
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 GOVERNANCE
 

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GRI 102-18	Governance structure	<p>Responsible banking - Corporate governance</p>
GRI 102-19	Delegating authority	<p>Robust and secure: - Risk management</p> <p>Responsible banking: - Corporate governance</p>
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	<p>Robust and secure: - Risk management</p> <p>Responsible banking: - Corporate governance: - Sustainable financing</p>
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	<p>Strategy: - 2019-2020 RMP • Materiality</p> <p>Responsible banking: - Transparency of information</p>
GRI 102-22	Composition of the highest governance body and its committees	<p>Responsible banking - Corporate governance: • Board of Directors</p>
GRI 102-23	Chair of the highest governance body	<p>Responsible banking - Corporate governance: • Board of Directors</p>
GRI 102-24	Nominating and selecting the highest governance body	<p>Responsible banking - Corporate governance: • Board of Directors • Corporate governance system</p>
GRI 102-25	Conflicts of interest	<p>Responsible banking - Corporate governance: • Conflicts of interest</p>
GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	<p>Responsible banking - Corporate governance</p>

GRI 102-27	Collective knowledge of highest governance body	Responsible banking - Corporate governance: • Annual suitability assessment • Director competency matrix
GRI 102-28	Evaluating the highest governance body's performance	Responsible banking - Corporate governance: • Annual assessment
GRI 102-29	Identifying and managing economic, environmental, and social impacts	Robust and secure - Tax commitment - Risk management • Credit risk • Financing of controversial sectors
GRI 102-30	Effectiveness of risk management processes	Responsible banking - 2019-2020 RMP  Responsible banking - Corporate governance: • Board of Directors  Robust and secure: - Risk management
GRI 102-31	Review of economic, environmental, and social topics	Responsible banking - 2019-2020 RMP  Robust and secure: - Risk management
GRI 102-32	Highest governance body's role in sustainability reporting	Approval of the content of the 2019 Non-Financial Statement by the Board of Directors.
GRI 102-33	Communicating critical concerns	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Ethics and integrity
GRI 102-34	Nature and total number of critical concerns	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Ethics and integrity • Reinforcement of the confidential whistleblowing channel
GRI 102-35	Remuneration policies	Responsible banking - Corporate governance: • Board remuneration - People and talent management • Remuneration policy
GRI 102-36	Process for determining remuneration	Responsible banking - Corporate governance: • Board remuneration - People and talent management

- Remuneration policy

GRI 102-37	Stakeholders' involvement in remuneration	Strategy - 2019-2020 RMP <ul style="list-style-type: none"> <li>• Responsible management governance structure</li> </ul> Responsible banking - Corporate governance: <ul style="list-style-type: none"> <li>• Board remuneration</li> </ul>
GRI 102-38	Annual total compensation ratio	Responsible banking - People and talent management <ul style="list-style-type: none"> <li>• Remuneration policies</li> </ul>
GRI 102-39	Percentage increase in annual total compensation ratio	Responsible banking - People and talent management <ul style="list-style-type: none"> <li>• Remuneration policies</li> </ul>

STAKEHOLDER ENGAGEMENT

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GRI 102-40	List of stakeholder groups	Strategy: - 2019-2020 RMP: <ul style="list-style-type: none"> <li>• Materiality</li> </ul>
GRI 102-41	Collective bargaining agreements	Responsible banking - People and talent management: <ul style="list-style-type: none"> <li>• Labour agreements, collective bargaining and freedom of association</li> </ul>
GRI 102-42	Identifying and selecting stakeholders	Strategy: - 2019-2020 RMP
GRI 102-43	Approach to stakeholder engagement	Strategy: - 2019-2020 RMP  Responsible banking: - Transparency of information
GRI 102-44	Key topics and concerns raised	Strategy: - 2019-2020 RMP: <ul style="list-style-type: none"> <li>• Materiality</li> </ul>

REPORTING PRACTICE

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GRI 102-45	Entities included in the consolidated financial statements	The information contained in the Non-Financial Statement covers the Bankia Group's operations (with the same scope as the annual financial statements) in 2019 in Spain, where it conducts all its business. It contains information that is presented in greater detail in other Bankia Group reports, such as the Annual Corporate Governance Report and the Report and Remuneration of Directors. The information contained in the "People and talent management" section was prepared considering the Bankia, S.A. scope, except the "2019 Training plan" which covers the Bankia Group scope.
GRI 102-46	Defining report content and topic Boundaries	Introduction Strategy: - 2019-2020 RMP: • Materiality
GRI 102-47	List of material topics	Strategy: - 2019-2020 RMP: • Materiality
GRI 102-48	Restatements of information	Commitment to the environment: - Direct environmental impact: • Environmental indicators (energy consumption 2018)
GRI 102-49	Changes in reporting	Responsible banking - People and talent management: • Employment indicators • Remuneration policy (gender pay gap)
GRI 102-50	Reporting period	2019
GRI 102-51	Date of most recent report	2018
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	rse@bankia.com
GRI 102-54	Claims of reporting in accordance with the GRI Standards	The 2019 Non-Financial Statement was prepared in accordance with the comprehensive option of the GRI Sustainability Reporting Standards and Financial Services sector supplement.

GRI 102-55	GRI content index	2019 Non-Financial Statement, Appendix II: GRI content index
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GRI 102-56	External assurance	2019 Non-Financial Statement, Appendix III: Independent assurance of the Consolidated Non-Financial Statement
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<b>INFORMATION SECURITY AND PRIVACY</b>
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**GRI 103: MANAGEMENT APPROACH**

GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Robust and secure: - Information security and privacy
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GRI 103-2	The management approach and its components	Robust and secure: - Information security and privacy
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GRI 103-3	Evaluation of the management approach	Robust and secure: - Information security and privacy
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**GRI 418: CUSTOMER PRIVACY**

GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints on this topic were identified in 2019.
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<b>ETHICS AND INTEGRITY</b>
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**GRI 103: MANAGEMENT APPROACH**

GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Ethics and integrity
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GRI 103-2	The management approach and its components	Responsible banking - Ethics and integrity
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GRI 103-3	Evaluation of the management approach	Responsible banking - Ethics and integrity
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**GRI 102: GENERAL DISCLOSURES**

GRI 102-16	Values, principles, standards, and norms of behavior	Responsible banking - Ethics and integrity
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GRI 102-17	Mechanisms for advice and concerns about ethics	Strategy: - 2019-2020 RMP: • Global Compact  Responsible banking: - Ethics and integrity - Human rights
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<b>GRI 205: ANTI-CORRUPTION</b>	GRI 205-1	Operations assessed for risks related to corruption	Robust and secure: - Internal control and compliance: • Internal audit and control
	GRI 205-2	Communication and training about anti-corruption policies and procedures	Robust and secure: - Internal control and compliance  Responsible banking: - Ethics and integrity
	GRI 205-3	Confirmed incidents of corruption and actions taken	Responsible banking - Ethics and integrity • Reinforcement of the confidential whistleblowing channel
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR</b>	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions related to these topics were identified.

<b>TRANSPARENCY OF INFORMATION</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Transparency of information
	GRI 103-2	The management approach and its components	Responsible banking - Transparency of information
	GRI 103-3	Evaluation of the management approach	Responsible banking - Transparency of information

<b>CORPORATE GOVERNANCE</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Corporate governance:
	GRI 103-2	The management approach and its components	Responsible banking - Corporate governance:
	GRI 103-3	Evaluation of the management approach	Responsible banking - Corporate governance:

<b>SOLVENCY AND LIQUIDITY</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Robust and secure: - Solvency and liquidity
	GRI 103-2	The management approach and its components	Robust and secure: - Solvency and liquidity
	GRI 103-3	Evaluation of the management approach	Robust and secure: - Solvency and liquidity
<b>GRI 201: ECONOMIC PERFORMANCE</b>	GRI 201-1	Direct economic value generated and distributed (in EUR thousand)	
		Gross income	EUR 3,245,030.00
		Profit or loss after tax from discontinued operations	EUR 0.00
		Gains or losses of derecognition of assets not classified as non-current assets held for sale	EUR 4,414.00
		<b>Direct economic value generated</b>	<b>EUR 3,249,444.00</b>
		Dividends	EUR 355,327.88
		Operating expenses	EUR 464,065.00
		Staff expenses	EUR 1,119,420.00
		Social investment	EUR 22,117.61
		Income tax and taxes other than income	EUR 245,644.00
	<b>Direct economic value distributed</b>	<b>EUR 2,206,992.68</b>	
	<b>Direct economic value retained</b>	<b>EUR 1,042,869.51</b>	
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	Responsible banking - Sustainable financing  Commitment to the environment: - Direct environmental impact
	GRI 201-3	Defined benefit plan obligations and other retirement plans	Note 38.2 to the 2019 consolidated financial statements for describes the features of the fund for pensions and similar obligations (employment obligations) and insurance contracts linked to pensions. As described in Note 2.13, the Group has post-employment defined benefit obligations assumed with certain employees.
	GRI 201-4	Financial assistance received from government	This information is included in Note 1.2 to the Bankia Group's 2019 consolidated financial statements. In 2012, several capital management actions were carried out and public aid was received, after which the Fund for Orderly Bank Restructuring (FROB) became BFA's sole shareholder. Then, on 28 November 2012, the BFA-Bankia Group received approval from the European Commission, the Bank of Spain, and the FROB for its 2012-2017 Restructuring Plan. As

at 31 December 2017, the Group had completed the measures and commitments set out in the Restructuring Plan

<b>RESPONSIBLE MARKETING</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Customer focus: - Responsible marketing
	GRI 103-2	The management approach and its components	Customer focus: - Responsible marketing
	GRI 103-3	Evaluation of the management approach	Customer focus: - Responsible marketing
<b>GRI 416: CUSTOMER HEALTH AND SAFETY</b>	GRI 416-1	Assessment of the health and safety impacts of product and service categories	Robust and secure: - Internal control and compliance:  Customer focus: - Responsible marketing - Appropriate management of non-performing loans
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance were detected in 2019.
<b>GRI 417: MARKETING AND LABELING</b>	GRI 417-1	Requirements for product and service information and labeling	Robust and secure: - Internal control and compliance:  Customer focus: - Responsible marketing
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance related to this topic was identified.
	GRI 417-3	Incidents of non-compliance concerning marketing communications	No incidents of non-compliance related to this topic was identified.

<b>APPROPRIATE MANAGEMENT OF NON-PERFORMING LOANS</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Robust and secure: - Risk management
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<b>GRI 203: INDIRECT ECONOMIC IMPACTS</b>	GRI 103-2	The management approach and its components	Robust and secure: - Risk management
	GRI 103-3	Evaluation of the management approach	Robust and secure: - Risk management  Customer focus: - Appropriate management of non-performing loans
	GRI 203-1	Infrastructure investments and services supported	Information not available. Bankia cannot guarantee the accuracy of the information available since the loans granted to customers do not always consider the purposes of the loan application.
	GRI 203-2	Significant indirect economic impacts	Responsible banking - Sustainable financing  Customer focus: - Business model - Accessibility and financial inclusion  Commitment to the environment: - Social contribution

<b>INNOVATION AND DIGITALISATION</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Customer focus: - Innovation and digitalisation
	GRI 103-2	The management approach and its components	Customer focus: - Innovation and digitalisation
	GRI 103-3	Evaluation of the management approach	Customer focus: - Responsible marketing - Business model - Innovation and digitalisation

<b>COMPLIANCE AND RISK MANAGEMENT</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Robust and secure: - Risk management
	GRI 103-2	The management approach and its components	Robust and secure: - Risk management

GRI 103-3	Evaluation of the management approach	Robust and secure: - Risk management
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<b>TALENT MANAGEMENT</b>
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**GRI 103:  
MANAGEMENT  
APPROACH**

GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - People and talent management
GRI 103-2	The management approach and its components	Responsible banking - People and talent management
GRI 103-3	Evaluation of the management approach	Responsible banking - People and talent management

**GRI 401:  
EMPLOYMENT**

GRI 401-1	New employee hires and employee turnover	Responsible banking - People and talent management: • Employment indicators • Key people indicators
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Responsible banking - People and talent management: • Key people indicators
GRI 401-3	Parental leave	Responsible banking - People and talent management: • Key people indicators

**GRI 404:  
TRAINING AND  
AWARENESS-  
RAISING**

GRI 404-1	Average hours of training per year per employee	Responsible banking - People and talent management: • 2019 Training Plan
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Responsible banking - People and talent management
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	100%

<b>ACCESSIBILITY AND FINANCIAL INCLUSION</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Customer focus: - Accessibility and financial inclusion
	GRI 103-2	The management approach and its components	Customer focus: - Business model - Accessibility and financial inclusion
	GRI 103-3	Evaluation of the management approach	Customer focus: - Responsible marketing - Accessibility and financial inclusion
<b>GRI 203: INDIRECT ECONOMIC IMPACTS</b>	GRI 203-1	Infrastructure investments and services supported	Information not available. Bankia cannot guarantee the accuracy of the information available since the loans granted to customers do not always consider the purposes of the loan application.
	GRI 203-2	Significant indirect economic impacts	Responsible banking - Sustainable financing  Customer focus: - Business model - Accessibility and financial inclusion  Commitment to the environment: - Social contribution

<b>SOCIAL CONTRIBUTION</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Commitment to the environment: - Social contribution
	GRI 103-2	The management approach and its components	Commitment to the environment: - Social contribution
	GRI 103-3	Evaluation of the management approach	Commitment to the environment: - Social contribution
<b>GRI 413: LOCAL COMMUNITIES</b>	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	The percentage is not reported since this does not apply to Bankia's business model. This indicators is address in the following report content:  Commitment to the environment: - Social contribution



GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Customer focus: - Accessibility and financial inclusion - Appropriate management of non-performing loans
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**INCLUSION OF ENVIRONMENTAL AND SOCIAL TOPICS IN THE BUSINESS**

<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Sustainable financing
	GRI 103-2	The management approach and its components	Responsible banking - Sustainable financing  Customer focus: - Business model • Bankia Asset Management: Commitment to responsible management
	GRI 103-3	Evaluation of the management approach	Responsible banking - Sustainable financing  Customer focus: - Business model • Bankia Asset Management: Commitment to responsible management

**RESPONSIBLE PURCHASING**

<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality  Responsible banking: - Responsible purchasing
	GRI 103-2	The management approach and its components	Responsible banking - Responsible purchasing
	GRI 103-3	Evaluation of the management approach	Responsible banking - Responsible purchasing
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>	GRI 308-1	New suppliers that were screened using environmental criteria	Responsible banking - Responsible purchasing • Supplier profile

GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Responsible banking - Responsible purchasing • Supplier approval and rating
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<b>DIRECT ENVIRONMENTAL IMPACT</b>
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<b>GRI 103: MANAGEMENT APPROACH</b>	GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality	
			Commitment to the environment: - Direct environmental impact	
	GRI 103-2	The management approach and its components	Commitment to the environment: - Direct environmental impact	
	GRI 103-3	Evaluation of the management approach	Commitment to the environment: - Direct environmental impact	
<b>GRI 301: MATERIALS</b>	GRI 301-1	Materials used by weight or volume	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 301-2	Recycled input materials used	Commitment to the environment: - Direct environmental impact • Environmental indicators	Not applicable. Not relevant for Bankia's business.
	GRI 301-3	Reclaimed products and their packaging materials	Commitment to the environment: - Direct environmental impact • Waste management	Not applicable. Not relevant for Bankia's business.
<b>GRI 302: ENERGY</b>	GRI 302-1	Energy consumption within the organization	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 302-2	Energy consumption outside of the organization		Not applicable. Not relevant for Bankia's business.
	GRI 302-3	Energy intensity	23.74 GJ / employee	
	GRI 302-4	Reduction of energy consumption	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 302-5	Reductions in energy requirements of products and services	Commitment to the environment: - Direct environmental impact • Ecoefficiency	Not applicable. Not relevant for Bankia's business.

<b>GRI 305: EMISSIONS</b>	GRI 305-1	Direct (Scope 1) GHG emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 305-3	Other indirect (Scope 3) GHG emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 305-4	GHG emissions intensity	0.8834 tCO <sub>2</sub> / EUR mn	
	GRI 305-5	Reduction of GHG emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 305-6	Emission of ozone-depleting substances (ODS)	Commitment to the environment: - Direct environmental impact • Environmental indicators	Not applicable. Not relevant for Bankia's business.
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators	
<b>GRI 306: EFFLUENTS AND WASTE</b>	GRI 306-1	Water discharge by quality and destination	100% of Bankia's buildings and branches are in urban areas, with a drainage and distribution service provided by water supply companies. Bankia has waste authorisation for the building at Paseo de la Castellana, 189, in Madrid.	
	GRI 306-2	Waste by type and disposal method	Commitment to the environment: - Direct environmental impact • Environmental indicators	
	GRI 306-3	Significant spills	By the nature of its activity, Bankia does not produce any significant spills.	
	GRI 306-4	Transport of hazardous waste	Bankia does not transport, import or export hazardous waste.	
	GRI 306-5	Water bodies affected by discharges of water and/or runoff	Not applicable. Because of the nature of its operations, Bankia does not have discharges of water or runoff.	
<b>GRI 307: ENVIRONMENTAL COMPLIANCE</b>	GRI 307-1	Non-compliance with environmental laws and regulations	No incidents of non-compliance related to this topic was identified.	

## FINANCIAL SERVICES SECTOR SUPPLEMENT

## CATEGORY: ECONOMIC

<b>GRI 201: ECONOMIC PERFORMANCE</b>	GRI 201-1	Direct economic value generated and distributed (in EUR thousand)	
		Gross income	EUR 3,245,030.00
		Profit/(loss) after tax from discontinued operations	EUR 0.00
		Gains or losses of derecognition of assets not classified as non-current assets held for sale	EUR 4,414.00
		<b>Direct economic value generated</b>	<b>EUR 3,249,444.00</b>
		Dividends	EUR 355,327.88
		Operating expenses	EUR 464,065.00
		Personnel expenses	EUR 1,119,420.00
		Social investment	EUR 22,117.61
		Income tax and taxes other than income	EUR 245,644.00
		<b>Direct economic value distributed</b>	<b>EUR 2,206,992.68</b>
		<b>Direct economic value retained</b>	<b>EUR 1,042,869.51</b>

## CATEGORY: ENVIRONMENTAL

<b>GRI 305: EMISSIONS</b>	GRI 305-1	Direct (Scope 1) greenhouse gas emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators
	GRI 305-2	Energy indirect (Scope 2) greenhouse gas emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators
	GRI 305-3	Other Indirect (Scope 3) greenhouse gas emissions	Commitment to the environment: - Direct environmental impact • Environmental indicators
<b>GRI 306: EFFLUENTS AND WASTE</b>	GRI 306-2	Waste by type and disposal method	Commitment to the environment: - Direct environmental impact • Environmental indicators

## SOCIAL ASPECTS FOR THE FINANCIAL SERVICES SECTOR

## RESPONSIBLE PRODUCTS

**GRI 103:  
MANAGEMENT  
APPROACH**

GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality	
GRI 103-2	The management approach and its components	Responsible banking - Sustainable financing  Customer focus: - Business model - Accessibility and financial inclusion	
GRI 103-3	Evaluation of the management approach	Responsible banking - Sustainable financing  Customer focus: - Business model - Accessibility and financial inclusion	
FS-6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Responsible banking - Sustainable financing  Customer focus: - Business model	
FS-7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Responsible banking - Sustainable financing  Customer focus: - Business model	Information not available. Information related to the GRI standard can be found in the references. A specific division in the bank was created to enhance management of this information and provide it in future reports.
FS-8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Responsible banking - Sustainable financing  Customer focus: - Business model	Information not available. Information related to the GRI standard can be found in the references. A specific division in the bank was created to enhance management of this information and provide it in future reports.
FS-10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	Responsible banking - Sustainable financing	Information not available. Information related to the GRI standard can be found in the references. A specific division in the bank was created to enhance management of this information and provide it in future reports.

FS-11	Percentage of assets subject to positive and negative environmental screening	Responsible banking - Sustainable financing  Customer focus: - Business model • Bankia Asset Management: Commitment to responsible management	Information not available. Information related to the GRI standard can be found in the references. A specific division in the bank was created to enhance management of this information and provide it in future reports
FS-15	Policies for the fair design and sale of financial products and services	Strategy: - 2019-2020 RMP  Customer focus: - Responsible marketing	
FS-16	Initiatives to enhance financial literacy by type of beneficiary	Customer focus: - Accessibility and financial inclusion Bankademia	

<b>LOCAL COMMUNITIES</b>
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**GRI 103:  
MANAGEMENT  
APPROACH**

GRI 103-1	Explanation of the material topic and its Boundary	Strategy: - 2019-2020 RMP: • Materiality
GRI 103-2	The management approach and its components	Commitment to the environment: - Social contribution
GRI 103-3	Evaluation of the management approach	Commitment to the environment: - Social contribution
FS-13	Access points in low-populated or economically disadvantaged areas by type	Customer focus: - Accessibility and financial inclusion
FS-14	Initiatives to improve access to financial services for disadvantaged people	Customer focus: - Business model - Innovation and digitalisation - Accessibility and financial inclusion

## APPENDIX III

### Independent assurance of the Consolidated Non-Financial Statement

**Independent Assurance Report on the Consolidated Non-Financial  
Statement for the year ended 31 December 2019**

**BANKIA, S.A. AND SUBSIDIARIES**

## **INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT**

Translation of a report originally issued in Spanish. In the event of discrepancy,  
the Spanish-language version prevails

To the shareholders of Bankia, S.A.:

Pursuant to article 49 of the Commercial Code, we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December, 31 2019 of Bankia, S.A. and subsidiaries (hereinafter, Bankia Group), which is part of the Bankia Group 2019 Consolidated Management Report.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information statement that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in "Index of Contents required by Spanish Law 11/2018" and "GRI Content Index", included in the accompanying NFS.

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### **Responsibility of the Board of Directors**

The preparation of the NFS included in the Consolidated Management Report of Bankia Group, as well as its contents, is the responsibility of the directors of Bankia, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) according to comprehensive option, as well as other criteria, including Financial Services Sector Disclosures, described in the section provided for each subject matter in "Index of Contents required by Spanish Law 11/2018" and "GRI Content Index", included in the accompanying NFS.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

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### **Our independence and quality control**

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information Statement and, specifically, in information about economic, social and environmental performance.



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## Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units of Bankia Group participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- ▶ Meeting with Bankia Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- ▶ Analyzing the scope, relevance and integrity of the content included in the NFS based on the materiality analysis made by Bankia Group and described in chapter 2, considering the content required by prevailing mercantile regulations.
- ▶ Analyzing the processes for gathering and validating the data included in the 2019 NFS.
- ▶ Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS.
- ▶ Checking, through tests, based on a selection of a sample, the information related to the content of the 2019 NFS and its correct compilation from the data provided.
- ▶ Obtaining a representation letter from the Board of Directors and Management.

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## Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that Bankia Group NFS for the year ended December 31, 2019 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) according to comprehensive option, as well as other criteria, including Financial Services Sector Disclosures, described in the section provided for each subject matter in “Index of Contents required by Spanish Law 11/2018” and “GRI Content Index”, included in the accompanying NFS.



**Building a better  
working world**

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**Use and distribution**

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(signed in the original version)

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Alberto Castilla Vida

February 24, 2020